BANCO POPULAR

2 0 1 0

# Quarterly report

july august september

# Highlights

| (Amounts in € thousand) | 30.09.10 | 30.09.09 | Var. % |
|---|---|---|---|
| **Business volume** | | | |
| Total assets managed | 140,473,837 | 136,431,970 | 3.0 |
| On-balance sheet total assets | 128,387,159 | 123,395,546 | 4.0 |
| Own funds | 8,687,039 | 7,830,534 | 10.9 |
| Adjusted customer deposits | 69,689,173 | 57,345,960 | 21.5 |
| Lending to customers (gross) | 97,996,214 | 96,491,283 | 1.6 |
| **Solvency** | | | |
| Core capital(%) | 8.66 | 7.85 | |
| Tier 1 (%) | 9.07 | 9.13 | |
| BIS ratio | 9.35 | 9.68 | |
| Leverage | 14.53 | 16.58 | |
| **Risk management** | | | |
| Total risks | 114,667,864 | 113,019,395 | 1.5 |
| Non-performing loans | 5,927,956 | 5,238,194 | 13.2 |
| Allowances for credit losses | 2,786,689 | 2,357,588 | 18.2 |
| % nonperforming ratio | 5.17 | 4.63 | |
| % coverage (Credit loss allowance/Nonperforming loans) | 47.01 | 45.01 | |
| % coverage with guarantees | 97.15 | | |
| **Earnings** | | | |
| Net interest income | 1,895,056 | 2,119,517 | (10.6) |
| Gross operating income | 2,665,373 | 3,024,202 | (11.9) |
| Profit before provisions | 1,702,969 | 2,068,521 | (17.7) |
| Profit before tax | 722,342 | 917,646 | (21.3) |
| Consolidated profit for the year | 531,401 | 662,055 | (19.7) |
| Net profit attributed to the Group | 521,410 | 651,178 | (19.9) |
| **Net return and efficiency** | | | |
| Average total assets | 122,412,244 | 112,492,272 | 8.8 |
| Average total equity | 8,268,538 | 6,675,099 | 23.9 |
| ROA (%) | 0.58 | 0.78 | |
| ROE (%) | 8.41 | 13.01 | |
| Operating efficiency (%) | 33.49 | 29.06 | |
| **Per share data** | | | |
| Final number of shares (thousands) | 1,431,222 (1) | 1,333,151 | 7.4 |
| Average number of shares (thousands) | 1,407,130 | 1,246,146 | 12.9 |
| Share closing market price (€) | 4.65 | 6.85 | (32.1) |
| Market capitalization | 6,199,152 | 9,132,084 | (32.1) |
| Book value per share(€) | 6.07 | 5.87 | 3.4 |
| Net earnings per share (€) | 0.371 | 0.523 | (29.1) |
| Dividend per share paid in the period (€) | 0.225 | 0.327 | (31.2) |
| Price/Book value | 0.76 | 1.17 | |
| Price/Earnings (annualized) | 9.40 | 9.82 | |
| **Other data** | | | |
| Shareholders | 146,429 | 133,212 | 9.9 |
| Employees | 14,443 | 14,722 | (1.9) |
| Spain | 12,622 | 12,996 | (2.9) |
| Men | 8,570 | 8,945 | (4.2) |
| Women | 4,052 | 4,051 | - |
| Abroad | 1,821 | 1,726 | 5.5 |
| Men | 1,138 | 1,120 | 1.6 |
| Women | 683 | 606 | 12.7 |
| Branches | 2,295 | 2,377 | (3.4) |
| Spain | 2,044 | 2,126 | (3.9) |
| Abroad | 251 | 251 | - |
| Mundocredit branches | 38 | 56 | (32.1) |
| ATMs | 2,957 | 3,205 | (7.7) |

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

The Group's consolidated financial statements at 30 September 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

After a very complicated first part of the year, which required the adoption of important fiscal, monetary and regulatory measures such as the establishment of an European rescue fund, the publication of the European Banks' stress test results and of the Basel III proposals, the third quarter of 2010 was characterised by a slight improvement in the euro area financial markets that reveals the welcome of those changes by the international investor community.

In the particular case of Spain, the budgetary measures taken by the government and the good results of Spanish financial entities in the stress tests conducted by the Bank of Spain contributed to a higher debt issuance capability of the banks and the Treasury, thus reopening wholesale funding paths, albeit at a still high cost.

In this situation, Banco Popular successfully took advantage of the opportunities offered by the market and strengthened its solvency and liquidity in order to continue expanding credit to customers and anticipate the greater regulatory requirements.

As regards its business, Banco Popular managed to grow both in lending and in deposits. Thus, gross lending to customers grew by 1.6%, driven by term loans and other credits, which were up 7.2%. This growth contrasts with the evolution of the domestic lending in the system, which is contracting by 0.5% YoY. As a result, Banco Popular's market share improved by 20 basis points.

On the deposit side, the excellent evolution of preceding quarters continued, enabling substantial progress to be made towards the objective of reducing the commercial gap. The growth over September 2009 was 13.4% (excluding repos), characterised by a rise of 21.7% in time deposits. This growth, which was higher than that of the market, led to a 42bp gain in market share.

The evolution of the business as stated above involved the capture of €6,486 million additional funds to the growth of lending since September 2009, excluding repos, and of €20,726 million since September 2007. This cut in the commercial gap was used to reduce the financial dependence on wholesale markets by €4,627 million since September 2009, making it possible to eliminate calls on the European Central Bank at quarter end. In relative terms the ratio of loans to deposits fell by 19 percentage points in one year and 98 percentage points in three years.

As regards earnings, the net interest income evolved as expected, by -10.6%, as a result of the rates environment, of the different pace of asset and liability repricing, and of the higher costs of funding. The growth of the business and the sound management of the commercial spreads enabled the Bank to offset 38% of the negative impact on net interest income caused by the fall in rates.

Gross operating income declined by 11.9%, due to the decrease in net interest income and to the lower results on financial assets and liabilities. Fees and commissions were 3.5% lower than in September 2009 due to the decline in fees for defaults, following the lower additions to non-performing items. Fees and commissions for banking services started to grow and those for customer asset management appeared to stabilise. The result on financial asset and liability transactions during the year was in line with expectations following the extraordinary earnings obtained in 2009.

Costs continued to be controlled, albeit with a very modest upward trend arising from the rise in the rental expenses of branches sold under lease-back arrangements. Excluding this effect, the cost reduction would have been 2.0% as a result of a 1.1% decrease in personnel costs and of 1.8% in non-rental related expenses (excluding depreciation) justified principally by the closure/merger of 100 branch offices.

The pre-provisions net operating profit of €1,703 million was 17.7% lower than that for the same period of 2009 but very much higher than, in relative and absolute terms, than that of all other medium-sized banks in Spain, thanks to Banco Popular's greater profitability and higher efficiency. The Bank's efficiency ratio stood at 33.49% and was again the best in the Spanish financial system and one of the most notable in Europe. In terms of the ratio of pre-provisions profit to lending to customers (gross), Banco Popular was also the bank capable of generating most profitability in the Spanish financial sector, with a margin of 2.50%. This sign of identity endows the Bank with great strength especially in an environment like that currently prevailing, because of its greater capability for the booking of provisions for risk coverage.

As regards credit risk asset impairment losses, there was, as had been foreseen, a slight 5.4% decrease with respect to September 2009. This improvement was achieved with lower use (€204 million) of general allowances compared with the figure of €385 million in the same quarter of 2009, i.e. 47% less.

Banco Popular's non-performing ratio of 5.17% was lower than the figure of 5.60% at August 2010 for all Spanish banks and savings banks, and with a growth rate notably slower than that of other comparable Spanish entities. Net additions decreased by 57.1% with respect to September 2009.

The coverage of non performing loans (including haircuts), has reached a 97.15%. The provisions in balance sheet to cover non performing loans, amount to 2,787 million euros, of which 618 millions euros are counter-cyclical provisions.

Also noteworthy was the increase in the level of coverage (provisions) for the portfolio of non-current assets held for sale, which stood at 25.3% at quarter end. At September 2010, the Bank had booked €459 million of mainly calendar-scheduled provisions, compared with €277 million in the same period of the previous year. This increase was due mainly to the entry into force of the new circular issued by the Bank of Spain, which required the recording of €238 million of additional provisions for property.

As has been our policy since 2009, capital gains were obtained that made it possible to match the provisions for properties and other extraordinary losses. These capital gains arose both from the formation of the joint venture with Crédit Mutuel and from the sale of property assets.

To summarise, the lower ordinary income in September compared with the previous year, partially offset by lower provisions for financial assets, brought the attributed profit down by 19.9% to €521 million, a figure in line with market expectations as expressed by a consensus of analysts.

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 8.7%, 81bp above the figure in September 2009. The strategy of progressive strengthening of core capital being implemented by the Bank means that it is one of the most solvent banks in Spain and in Europe – disregarding the institutions that have received state aid. Also noteworthy is the leverage ratio of 14.53, probably the best in Europe, and a comfortable position in the light of the new solvency requirements of Basel III.

As regards liquidity, Banco Popular took full advantage of the selective opening of the market in the third quarter and successively launched several issues that made it possible to lengthen the average maturity of long and medium term wholesale liabilities and to raise funds of over €1,000 million. The Bank also has a second liquidity line, in effective terms, of over €15,000 million equivalent to the maturities of medium- and long-term wholesale instruments until 2015. Moreover, in the third quarter, Banco Popular began to operate with government debt repos at the London Clearing House, thus enhancing its access to this source of funding. In short, Banco Popular demonstrates its very high capability for capturing retail funds, the confidence of wholesale markets and the security of having available a substantial second line of liquidity, which give it a very comfortable cash position and make it possible to implement without restrictions its strategy of organic growth above that of the market.

For the upcoming quarters Banco Popular will continue to rely on its business model, on its ability to generate recurring earnings and on its strategy of progressively reinforcing its financial strength in order to face up to a still difficult macroeconomic situation in which the negative impact of fiscal adjustment policies will not favour the demand for credit and recent regulatory changes will continue the need to make exigent bookings of provisions.

# Balance Sheet

(Amounts in € thousand )

| | 30.09.10 | 31.12.09 | 30.09.09 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with central banks | 702,025 | 3,748,699 | 1,428,083 | (81.3) | (50.8) |
| Financial assets held for trading | 1,467,548 | 1,353,902 | 1,501,101 | 8.4 | (2.2) |
| Other financial assets at fair value through profit or loss | 478,117 | 416,972 | 376,383 | 14.7 | 27.0 |
| Available-for-sale financial assets | 11,765,327 | 11,030,058 | 10,370,267 | 6.7 | 13.5 |
| Loans and receivables | 100,123,070 | 102,298,399 | 99,619,023 | (2.1) | 0.5 |
| Loans and advances to other debtors | 95,503,990 | 94,956,488 | 94,519,502 | 0.6 | 1.0 |
| Other loans and receivables | 4,619,080 | 7,341,911 | 5,099,521 | (37.1) | (9.4) |
| Of which interbank deposits | 349,653 | 258,643 | 191,959 | 35.2 | 82.2 |
| Held-to-maturity investments | 4,296,784 | 2,266,524 | 2,227,339 | 89.6 | 92.9 |
| Hedging derivatives | 1,215,811 | 1,469,702 | 1,360,119 | (17.3) | (10.6) |
| Non-current assets held for sale | 2,875,299 | 2,735,721 | 2,556,533 | 5.1 | 12.5 |
| Investments | 169,197 | 56,148 | 55,920 | > | > |
| Insurance contracts linked to pensions | 164,242 | 173,851 | 172,972 | (5.5) | (5.0) |
| Reinsurance assets | 3,258 | 2,792 | 6,127 | 16.7 | (46.8) |
| Tangible assets | 1,969,258 | 1,806,836 | 1,681,046 | 9.0 | 17.1 |
| Intangible assets | 658,845 | 486,932 | 520,762 | 35.3 | 26.5 |
| Tax assets | 976,201 | 708,531 | 720,259 | 37.8 | 35.5 |
| Other assets | 1,522,177 | 735,081 | 799,612 | > | 90,4 |
| **Total Assets** | **128,387,159** | **129,290,148** | **123,395,546** | **(0.7)** | **4.0** |
| **Liabilities** | | | | | |
| Financial liabilities held for trading | 1,347,120 | 1,195,636 | 1,718,882 | 12.7 | (21.6) |
| Other financial liabilities at fair value through profit or loss | 131,687 | 104,172 | 93,632 | 26.4 | 40.6 |
| Financial liabilities at amortised cost: | 115,262,060 | 116,448,911 | 110,449,696 | (1.0) | 4.4 |
| Liabilities of credit institutions | 19,170,112 | 23,899,952 | 18,674,162 | (19.8) | 2.7 |
| Of which interbank deposits | 3,076,967 | 5,130,869 | 1,861,093 | (40.0) | 65.3 |
| Deposits from other creditors | 69,689,173 | 59,557,592 | 57,345,960 | 17.0 | 21.5 |
| Debt certificates including bonds | 23,648,431 | 30,333,821 | 31,395,557 | (22.0) | (24.7) |
| Subordinated liabilities | 1,859,115 | 1,820,215 | 1,999,809 | 2.1 | (7.0) |
| Other financial liabilities | 995,215 | 837,331 | 1,034,208 | 18.9 | (3.8) |
| Hedging derivatives | 889,789 | 597,357 | 491,513 | 49.0 | 81.0 |
| Insurance contract liabilities | 1,078,523 | 1,073,484 | 1,058,616 | 0.5 | 1.9 |
| Provisions for contingent exposures | 410,635 | 476,824 | 470,883 | (13.9) | (12.8) |
| Tax liabilities | 524,520 | 392,543 | 434,254 | 33.6 | 20.8 |
| Other liabilities | 364,749 | 553,237 | 774,705 | (34.1) | (52.9) |
| **Total liabilities** | **120,109,069** | **120,842,164** | **115,492,181** | **(0.6)** | **4.0** |
| **Equity** | | | | | |
| Own funds | 8,687,039 | 8,415,854 | 7,830,534 | 3.2 | 10.9 |
| Capital, reserves and retained earnings | 8,265,615 | 7,849,529 | 7,279,342 | 5.3 | 13.5 |
| Profit or loss for the period | 521,410 | 766,132 | 651,178 | | (19.9) |
| Dividends paid and declared | (99.986) | (199,807) | (99,986) | - | - |
| Valuation adjustments | (453,998) | (15,649) | 28,505 | > | |
| Minority interests | 45,049 | 47,779 | 44,326 | (5.7) | 1.6 |
| **Total equity** | **8,278,090** | **8,447,984** | **7,903,365** | **(2.0)** | **4.7** |
| **Total liabilities and equity** | **128,387,159** | **129,290,148** | **123,395,546** | **(0.7)** | **4.0** |

# Funds Managed

(Amounts in € thousand)

| | 30.09.10 | 31.12.09 | 30.09.09 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| Unadjusted customer deposits | 69,365,579 | 59,288,645 | 57,133,590 | 17.0 | 21.4 |
| General government | 7,693,247 | 7,154,546 | 2,225,936 | 7.5 | > |
| Other private sectors | 61,672,332 | 52,134,099 | 54,907,654 | 18.3 | 12.3 |
| Residents | 54,439,255 | 44,704,662 | 47,853,515 | 21.8 | 13.8 |
| Nonresidents | 7,233,077 | 7,429,437 | 7,054,139 | (2.6) | 2.5 |
| Valuation adjustments (+/-) | 323,594 | 268,947 | 212,370 | 20.3 | 52.4 |
| Total customer deposits | 69,689,173 | 59,557,592 | 57,345,960 | 17.0 | 21.5 |
| Unadjusted debt certificates including bonds: | 22,812,466 | 29,807,983 | 30,786,315 | (23.5) | (25.9) |
| Bonds and other securities outstanding | 19,338,597 | 20,968,488 | 21,615,598 | (7.8) | (10.5) |
| Commercial paper | 3,473,869 | 8,839,495 | 9,170,717 | (60.7) | (62.1) |
| Valuation adjustments (+/-) | 835,965 | 525,838 | 609,242 | 59.0 | 37.2 |
| Total debt certificates including bonds | 23,648,431 | 30,333,821 | 31,395,557 | (22.0) | (24.7) |
| Subordinated liabilities | 1,859,115 | 1,820,215 | 1,999,809 | 2.1 | (7.0) |
| **Total on-balance sheet funds (a)** | **95,196,719** | **91,711,628** | **90,741,326** | **3.8** | **4.9** |
| Mutual funds | 7,048,424 | 8,000,270 | 8,031,651 | (11.9) | (12.2) |
| Asset portfolio management | 913,596 | 876,068 | 883,598 | 4.3 | 3.4 |
| Pension funds | 4,124,658 | 4,186,149 | 4,121,175 | (1.5) | 0.1 |
| **Total other intermediated funds (b)** | **12,086,678** | **13,062,487** | **13,036,424** | **(7.5)** | **(7.3)** |
| **Total funds managed (a+b)** | **107,283,397** | **104,774,115** | **103,777,750** | **2.4** | **3.4** |

# Customer deposits

(Amounts in € thousand)

| | 30.09.10 | 31.12.09 | 30.09.09 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| Demand deposits | 20,164,437 | 20,718,265 | 20,198,570 | (2.7) | (0.2) |
| Time deposits | 38,257,771 | 31,662,508 | 31,436,941 | 20.8 | 21.7 |
| Asset repos | 10,698,471 | 6,649,223 | 5,330,019 | 60.9 | > |
| Other accounts and valuation adjustments | 568,494 | 527,596 | 380,430 | 7.8 | 49.4 |
| **Customer deposits** | **69,689,173** | **59,557,592** | **57,345,960** | **17.0** | **21.5** |
| Domestic commercial paper | 1,706,679 | 3,060,951 | 4,156,330 | (44.2) | (59.0) |
| **Total** | **71,395,852** | **62,618,543** | **61,502,290** | **14.0** | **16.1** |

# Lending to customers

(Amounts in € thousand)

| | 30.09.10 | 31.12.09 | 30.09.09 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| Lending to general government . . . . . . . . . | 635,876 | 288,607 | 570,615 | > | 11.4 |
| Lending to other private sectors . . . . . . . . | 97,360,338 | 97,074,315 | 95,920,668 | 0.3 | 1.5 |
| Residents . . . . . . . . . . . . . . . . . . . . . . . . | 87,559,729 | 87,223,770 | 86,521,431 | 0.4 | 1.2 |
| Nonresidents. . . . . . . . . . . . . . . . . . . . . . | 9,572,651 | 9,180,896 | 9,200,344 | 4.3 | 4.0 |
| Other loans. . . . . . . . . . . . . . . . . . . . . . . | 227,958 | 669,649 | 198,893 | (66.0) | 14.6 |
| **Total lending to customers**. . . . . . . . . . . . . | **97,996,214** | **97,362,922** | **96,491,283** | **0.7** | **1.6** |
| Valuation adjustments (+/-). . . . . . . . . . . . | (2,492,224) | (2,406,434) | (1,971,781) | 3.6 | 26.4 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . | **95,503,990** | **94,956,488** | **94,519,502** | **0.6** | **1.0** |

# Lending to customers by type

(Amounts in € thousand)

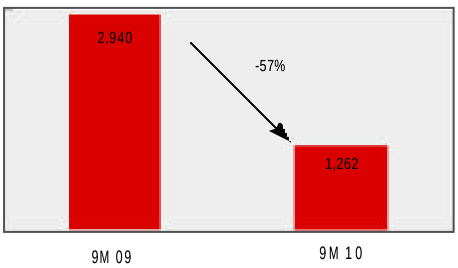
| | 30.09.10 | 31.12.09 | 30.09.09 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| Trade loans and discounts . . . . . . . . . . . | 4,370,573 | 5,038,485 | 4,961,300 | (13.3) | (11.9) |
| Secured loans . . . . . . . . . . . . . . . . . . . . | 47,127,517 | 47,781,508 | 47,992,330 | (1.4) | (1.8) |
| Mortgage . . . . . . . . . . . . . . . . . . . . . . . | 47,035,033 | 47,655,668 | 47,856,079 | (1.3) | (1.7) |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | 92,484 | 125,840 | 136,251 | (26.5) | (32.1) |
| Term loans and other lending. . . . . . . . . | 37,746,905 | 35,977,524 | 35,208,520 | 4.9 | 7.2 |
| Leasing . . . . . . . . . . . . . . . . . . . . . . . . | 3,035,566 | 3,231,087 | 3,261,279 | (6.1) | (6.9) |
| Doubtful assets . . . . . . . . . . . . . . . . . . . | 5,715,653 | 5,334,318 | 5,067,854 | 7.1 | 12.8 |
| **Total lending to customers . . . . . . . . . .** | **97,996,214** | **97,362,922** | **96,491,283** | **0.7** | **1.6** |

# Risk Management Performance*

(Amounts in € thousand )

| Nonperforming loans: | 30.09.10 | 30.09.09 | Variation Amount | Variation % |
|---|---|---|---|---|
| Balance at 1 January | 5,511,516 | 3,042,612 | 2,468,904 | 81.1 |
| Additions | 3,075,452 | 5,235,772 | (2,160,320) | (41.3) |
| Recoveries | 1,813,470 | 2,295,895 | (482,425) | (21.0) |
| Other changes | - | - | - | |
| Net variation | 1,261,982 | 2,939,877 | (1,677,895) | (57.1) |
| % increase | 22.9 | 96.6 | | |
| Writeoffs | (845,542) | (744,295) | (101,247) | 13.6 |
| Balance at 30 September | 5,927,956 | 5,238,194 | 689,762 | 13.2 |

**Variation in net additions to non-performing balances** (€ million)




| Credit loss allowances: | 30.09.10 | 30.09.09 | Variation Amount | Variation % |
|---|---|---|---|---|
| Balance at 1 January | 2,770,486 | 2,221,902 | 548,584 | 24.7 |
| Annual provision: | | | | |
| *Gross* | *2,659,675* | *2,366,008* | 293,667 | 12.4 |
| *Recoveries* | *(1,625,929)* | *(1,421,837)* | (204,092) | 14.4 |
| *Net* | 1,033,746 | 944,171 | 89,575 | 9.5 |
| Other variations | (90,936) | (224,812) | 133,876 | (59.6) |
| Writeoffs | (926,607) | (583,673) | (342,934) | 58.8 |
| Balance at 30 September | 2,786,689 | 2,357,588 | 429,101 | 18.2 |
| Of which sub-standard risk provisions | 773,643 | 379,100 | 394,543 | > |

| | Specific | General | Country risk | Total |
|---|---|---|---|---|
| *Balance at 1 January* | *1,916,847* | *850,508* | *3,131* | *2,770,486* |
| Net provisisons | 1,267,032 | (232,121) | (1,165) | 1,033,746 |
| Amount used | (926,607) | - | - | (926,607) |
| Other variations and transfers | (90,936) | - | - | (90,936) |
| *Balance at 30 September* | *2,166,336* | *618,387* | *1,966* | *2,786,689* |

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

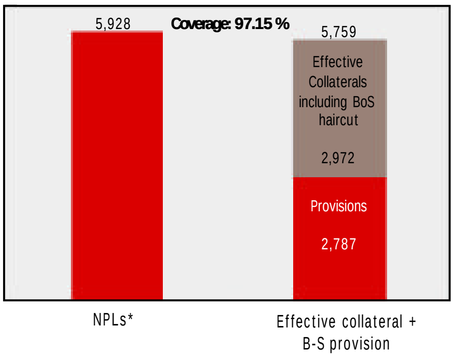
# Risk Management Performance

| (Amounts in € thousand ) | 30.09.10 | 30.09.09 | Variation Amount | Variation % |
|---|---|---|---|---|
| **Risk quality measures (%):** | | | | |
| Total Risks | 114,667,864 | 113,019,395 | 1,648,469 | 1.5 |
| Nonperformance (Nonperforming loans/Total risks) | 5.17 | 4.63 | 0.54 | |
| Credit risk premium | 1.52 | 1.62 | (0.10) | |
| Typical spread on lending to customers | 2.50 | 3.07 | (0.57) | |

## Coverage by type of non-performing balance:

| | |
|---|---|
| Non-performing balances without mortgage guarantee | 2,309,546 |
| Non-performing balances with mortgage guarantee | 3,618,410 |
| Value of guarantees (incuding haircuts) | 2,972,447 |
| Total non-performing balances* | 5,927,956 |
| Total value of guarantees | 2,972,447 |
| Provisions | 2,786,689 |
| Coverage with gurantees | 97.15 |
| Coverage (Credit loss allowance/Nonperforming loans) | 47.01 |

**Coverage analysis**
(€, million))




* NPLs include EUR 1,419m of doubtful loans where the Spanish Provisioning Calendar does not apply.

## Asset impairment:

| | 30.09.10 | 30.09.09 | Variation Amount | Variation % |
|---|---|---|---|---|
| **Financial assets** | **1,070,414** | **1,223,377** | **(152,963)** | **(12.5)** |
| Credit risk | 1,035,974 | 1,094,784 | (58,810) | (5.4) |
| Investments | 34,440 | 128,593 | (94,153) | (73.2) |
| **Non-financial assets and property** | **459,344** | **277,406** | **181,938** | **65.6** |
| **Total** | **1,529,758** | **1,500,783** | **28,975** | **1.9** |

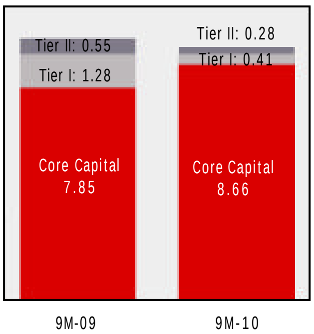
# Solvency

(Amounts in € thousand)

| | 30.09.10* | 31.12.09 | 30.09.09 |
|---|---|---|---|
| **Total core capital** | **8,044,892** | **7,937,623** | **7,150,006** |
| *Core capital (%)* | *8.66* | *8.57* | *7.85* |
| **Total Tier 1 Capital** | **8,422,869** | **8,505,842** | **8,313,855** |
| *Tier 1 ratio (%)* | *9.07* | *9.19* | *9.13* |
| **Total Tier 2 Capital** | **259,229** | **433,539** | **499,832** |
| **BIS computable capital** | **8,682,098** | **8,939,381** | **8,813,687** |
| Capital cushion | 1,250,310 | 1,533,428 | 1,530,177 |
| *BIS ratio (%)* | *9.35* | *9.66* | *9.68* |
| Leverage (1) | 14.53 | 16.17 | 15.61 |
| *Memorandum item:* | | | |
| Total BIS risk-weighted assets (2) | 92,897,350 | 92,574,413 | 91,043,875 |

(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 (%)**




# Equity

(Amounts in € thousand)

| | Capital & reserves | Valuation adjustments | Minority interests | Net worth |
|---|---|---|---|---|
| **Balance at 31/12/2009** | **8,415,854** | **(15,649)** | **47,779** | **8,447,984** |
| Variation in treasury stock | 119,802 | - | - | 119,802 |
| Gain on treasury stock transactions | (16,032) | - | - | (16,032) |
| Actuarial differences | 3,916 | - | - | 3,916 |
| Issuance and remuneration of mandatory convertible debentures | (28,110) | - | - | (28,110) |
| Consolidation operations (net) | (19,875) | - | (983) | (20,858) |
| Value adjustments | - | (438,349) | - | (438,349) |
| Net profit at 31 September 2010 | 521,410 | - | 9,991 | 531,401 |
| Dividends paid in 2010 | (309,656) | | (11,738) | (321,394) |
| **Balance at 30/09/2010** | **8,687,039** | **(453,997)** | **45,049** | **8,278,090** |

# Consolidated income and profitability

| | (Amounts in € thousand ) | | | (Annualized % of ATA) | | |
|---|---|---|---|---|---|---|
| | 30.09.10 | 30.09.09 | % variation | 30.09.10 | 30.09.09 | Variation |
| Interest and similar income | 3,095,891 | 3,972,123 | (22.1) | 3.37 | 4.71 | (1.34) |
| - Interest expense and similar charges | 1,200,835 | 1,852,606 | (35.2) | 1.31 | 2.20 | (0.89) |
| **= Net interest income** | **1,895,056** | **2,119,517** | **(10.6)** | **2.06** | **2.51** | **(0.45)** |
| +Return on equity instruments | 8,294 | 5,401 | 53.6 | 0.01 | 0.01 | - |
| +Share of results of entities accounted for using the equity method | (661) | 418 | | - | - | - |
| +Fees and commissions, net | 558,615 | 578,995 | (3.5) | 0.61 | 0.69 | (0.08) |
| ±Gains or losses on financial assets and liabilities (net) | 107,261 | 243,488 | (55.9) | 0.11 | 0.28 | (0.17) |
| +Exchange differences (net) | 39,614 | 34,446 | 15.0 | 0.04 | 0.04 | - |
| +Other operating income | 234,714 | 198,309 | 18.4 | 0.26 | 0.24 | 0.02 |
| - Other operating expenses | 177,520 | 156,372 | 13.5 | 0.19 | 0.19 | - |
| **=Gross operating income** | **2,665,373** | **3,024,202** | **(11.9)** | **2.90** | **3.58** | **(0.68)** |
| - Administrative expenses: | 892,691 | 878,956 | 1.6 | 0.97 | 1.04 | (0.07) |
| Personnel expenses | 584,426 | 591,167 | (1.1) | 0.64 | 0.70 | (0.06) |
| Other general administrative expenses | 308,265 | 287,789 | 7.1 | 0.33 | 0.34 | (0.01) |
| - Depreciation & amortisation | 69,713 | 76,725 | (9.1) | 0.08 | 0.09 | (0.01) |
| **=Net operating income (Pre-provision profit)** | **1,702,969** | **2,068,521** | **(17.7)** | **1.85** | **2.45** | **(0.60)** |
| - Provisioning expense (net) | (29,682) | (25,431) | 16.7 | (0.03) | (0.03) | - |
| - Credit risk asset impairment | 1,035,974 | 1,094,784 | (5.4) | 1.13 | 1.30 | (0.17) |
| - Impairment of other assets | 493,784 | 405,999 | 21.6 | 0.54 | 0.48 | 0.06 |
| ±Gains/(Losses) on assets held for sale (net) | 519,449 | 324,477 | 60.1 | 0.57 | 0.39 | 0.18 |
| **=Profit before tax** | **722,342** | **917,646** | **(21.3)** | **0.79** | **1.09** | **(0.30)** |
| - Income tax | 190,941 | 255,591 | (25.3) | 0.21 | 0.31 | (0.10) |
| +Gains/losses on discontinued operations (net) | - | - | - | - | - | - |
| **=Consolidated profit for the year** | **531,401** | **662,055** | **(19.7)** | **0.58** | **0.78** | **(0.20)** |
| - Profit attributed to minority interests | 9,991 | 10,877 | (8.1) | 0.01 | 0.01 | - |
| **=Profit attributed to the controlling company** | **521,410** | **651,178** | **(19.9)** | **0.57** | **0.77** | **(0.20)** |

| | 30.09.10 | 30.09.09 | Variation |
|---|---|---|---|
| Net return on risk-weighted assets (RORWA) (%) | 0.76 | 0.97 | (0.21) |
| Net return on equity (ROE) (%) | 8.41 | 13.01 | (4.60) |
| Operating efficiency ratio (%) | 33.49 | 29.06 | 4.43 |
| *In € million* | | | |
| Average total assets | 122,412 | 112,492 | 9,920 |
| Risk-weighted average total assets (RWA) | 93,318 | 90,968 | 2,350 |
| Average equity | 8,269 | 6,675 | 1,593 |

# Quarterly Consolidated Income

(Amounts in € thousand )

| | 2009 | | 2010 | | |
|---|---|---|---|---|---|
| | 3rd | 4th | 1st | 2nd | 3rd |
| Interest and similar income | 1,206,852 | 1,086,945 | 1,042,633 | 1,020,361 | 1,032,897 |
| - Interest expense and similar charges | 504,540 | 383,909 | 374,490 | 402,532 | 423,813 |
| **= Net interest income** | **702,312** | **703,036** | **668,143** | **617,829** | **609,084** |
| + Return on equity instruments | 2,041 | 2,370 | 2,384 | 5,508 | 402 |
| + Share of results of entities accounted for using the equity method | 336 | 396 | (472) | (558) | 369 |
| + Fees and commissions, net | 189,875 | 184,449 | 181,321 | 194,441 | 182,853 |
| ± Gains or losses on financial assets and liabilities (net) | 62,634 | 112,680 | 34,331 | 26,767 | 46,163 |
| + Exchange differences (net) | 10,921 | 13,893 | 12,874 | 14,290 | 12,450 |
| + Other operating income | 58,685 | 87,734 | 67,674 | 108,769 | 58,271 |
| - Other operating expenses | 49,661 | 74,590 | 49,038 | 79,514 | 48,968 |
| **= Gross operating income** | **977,143** | **1,029,968** | **917,217** | **887,532** | **860,624** |
| - Administrative expenses: | 300,261 | 309,500 | 286,158 | 301,874 | 304,659 |
| Personnel expenses | 202,091 | 200,886 | 188,929 | 195,903 | 199,594 |
| Other general administrative expenses | 98,170 | 108,614 | 97,229 | 105,971 | 105,065 |
| - Depreciation & amortisation | 25,666 | 27,361 | 25,794 | 21,888 | 22,031 |
| **= Net operating income (Pre-provision profit)** | **651,216** | **693,107** | **605,265** | **563,770** | **533,934** |
| - Provisioning expense (net) | (9,552) | 11,953 | (18,215) | (4,753) | (6,714) |
| - Credit risk asset impairment | 386,605 | 425,253 | 262,909 | 346,730 | 426,335 |
| - Impairment of other assets | 78,929 | 234,326 | 151,195 | 69,510 | 273,079 |
| ± Gains/(Losses) on assets held for sale (net) | 99,426 | 133,685 | 81,119 | 58,449 | 379,881 |
| **= Profit before tax** | **294,660** | **155,260** | **290,495** | **210,732** | **221,115** |
| - Income tax | 83,738 | 36,968 | 83,561 | 57,449 | 49,931 |
| + Gains/losses on discontinued operations (net) | - | - | - | - | - |
| **= Consolidated profit for the year** | **210,922** | **118,292** | **206,934** | **153,283** | **171,184** |
| - Profit attributed to minority interests | 2,330 | 3,338 | 2,918 | 2,743 | 4,330 |
| **= Profit attributed to the controlling company** | **208,592** | **114,954** | **204,016** | **150,540** | **166,854** |

# Quarterly Profitability

(Annualized % of ATA)

| | 2009 | | 2010 | | |
|---|---|---|---|---|---|
| | 3rd | 4th | 1st | 2nd | 3rd |
| Interest and similar income | 4.14 | 3.65 | 3.43 | 3.32 | 3.36 |
| - Interest expense and similar charges | 1.73 | 1.29 | 1.23 | 1.31 | 1.38 |
| **= Net interest income** | **2.41** | **2.36** | **2.20** | **2.01** | **1.98** |
| + Return on equity instruments | 0.01 | 0.01 | 0.01 | 0.02 | - |
| + Share of results of entities accounted for using the equity method | - | - | - | - | - |
| + Fees and commissions, net | 0.65 | 0.62 | 0.60 | 0.63 | 0.60 |
| ± Gains or losses on financial assets and liabilities (net) | 0.21 | 0.38 | 0.11 | 0.09 | 0.15 |
| + Exchange differences (net) | 0.04 | 0.05 | 0.04 | 0.05 | 0.04 |
| + Other operating income | 0.20 | 0.29 | 0.22 | 0.35 | 0.19 |
| - Other operating expenses | 0.17 | 0.25 | 0.16 | 0.26 | 0.16 |
| **= Gross operating income** | **3.35** | **3.46** | **3.02** | **2.89** | **2.80** |
| - Administrative expenses: | 1.03 | 1.04 | 0.94 | 0.98 | 0.99 |
| Personnel expenses | 0.69 | 0.68 | 0.62 | 0.64 | 0.65 |
| Other general administrative expenses | 0.34 | 0.36 | 0.32 | 0.34 | 0.34 |
| - Depreciation & amortisation | 0.09 | 0.09 | 0.09 | 0.07 | 0.07 |
| **= Net operating income (Pre-provision profit)** | **2.23** | **2.33** | **1.99** | **1.84** | **1.74** |
| - Provisioning expense (net) | (0.03) | 0.04 | (0.06) | (0.01) | (0.02) |
| - Credit risk asset impairment | 1.32 | 1.43 | 0.87 | 1.13 | 1.39 |
| - Impairment of other assets | 0.27 | 0.79 | 0.50 | 0.22 | 0.89 |
| ± Gains/(Losses) on assets held for sale (net) | 0.34 | 0.45 | 0.28 | 0.19 | 1.24 |
| **= Profit before tax** | **1.01** | **0.52** | **0.96** | **0.69** | **0.72** |
| - Income tax | 0.29 | 0.12 | 0.27 | 0.19 | 0.16 |
| + Gains/losses on discontinued operations (net) | - | - | - | - | - |
| **= Consolidated profit for the year** | **0.72** | **0.40** | **0.68** | **0.50** | **0.56** |
| - Profit attributed to minority interests | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 |
| **= Profit attributed to the controlling company** | **0.71** | **0.39** | **0.67** | **0.49** | **0.54** |

| | | | | | |
|---|---|---|---|---|---|
| Net return on risk-weighted assets (RORWA) (%) | 0.93 | 0.52 | 0.90 | 0.65 | 0.73 |
| Net return on equity (ROE) (%) | 12.32 | 5.91 | 9.78 | 7.30 | 8.11 |
| Operating efficiency ratio (%) | 30.73 | 30.05 | 31.20 | 34.01 | 35.40 |
| *In € million* | | | | | |
| Average total assets | 116,745 | 118,977 | 121,572 | 122,697 | 122,968 |
| Risk-weighted average total assets (RWA) | 90,271 | 91,688 | 92,317 | 93,610 | 94,028 |
| Average equity | 6,774 | 7,782 | 8,344 | 8,246 | 8,235 |

# Yields and Costs

(Amounts in € thousand and rates annualized )

| | 30.09.10 | | | | 30.09.09 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average balance | Distri-bution (%) | Income or expense | Average rate (%) | Average balance | Distri-bution (%) | Income or expense | Average rate (%) |
| Financial system | 5,426,139 | 4.43 | 27,928 | 0.69 | 5,670,975 | 5.04 | 63,487 | 1.49 |
| Loans and discounts (a) | 90,927,662 | 74.28 | 2,773,022 | 4.07 | 89,835,959 | 79.86 | 3,743,258 | 5.56 |
| Securities portfolio | 14,679,568 | 11.99 | 287,274 | 2.61 | 6,970,833 | 6.20 | 156,991 | 3.00 |
| Other assets | 11,378,875 | 9.30 | 7,667 | 0.09 | 10,014,505 | 8.90 | 8,387 | 0.01 |
| **Total earning assets (b)** | **122,412,244** | **100.00** | **3,095,891** | **3.37** | **112,492,272** | **100.00** | **3,972,123** | **4.71** |
| Financial system | 19,489,331 | 15.92 | 144,671 | 0.99 | 14,933,358 | 13.28 | 184,841 | 1.65 |
| Customer funds (c) | 60,311,475 | 49.27 | 706,200 | 1.56 | 52,019,537 | 46.24 | 906,120 | 2.32 |
| Demand accounts | 14,732,047 | 12.03 | 46,800 | 0.42 | 13,280,477 | 11.81 | 69,962 | 0.70 |
| Savings and time deposits | 45,579,428 | 37.24 | 659,400 | 1.93 | 38,739,060 | 34.43 | 836,158 | 2.88 |
| Marketable debt securities & other | 29,592,208 | 24.17 | 330,888 | 1.49 | 33,792,095 | 30.04 | 745,606 | 2.94 |
| Other interest-bearing liabilities | 286,282 | 0.23 | 19,076 | 8.88 | 283,230 | 0.25 | 16,039 | 7.55 |
| Other funds | 4,464,410 | 3.66 | - | - | 4,788,953 | 4.26 | - | - |
| Equity | 8,268,538 | 6.75 | - | - | 6,675,099 | 5.93 | - | - |
| **Total funds (d)** | **122,412,244** | **100.00** | **1,200,835** | **1.31** | **112,492,272** | **100.00** | **1,852,606** | **2.20** |
| *Customer spread (a-c)* | | | | 2.51 | | | | 3.24 |
| *Spread (b-d)* | | | | *2.06* | | | | *2.51* |

# Quarterly Yields and Costs

(Data in % and rates annualized)

| | 2009 | | | | 2010 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 3rd | | 4th | | 1st | | 2nd | | 3rd | |
| | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* |
| Financial system . . . . . . . . . . . . | 3.61 | 1.01 | 5.13 | 0.71 | 5.49 | 0.53 | 4.27 | 0.64 | 3.55 | 0.98 |
| Loans and discounts (a) . . . . . . | 76.67 | 5.01 | 75.90 | 4.44 | 74.11 | 4.20 | 74.40 | 4.00 | 74.32 | 4.00 |
| Securities portfolio . . . . . . . . . . | 8.82 | 2.79 | 10.28 | 2.35 | 11.42 | 2.44 | 11.97 | 2.61 | 12.58 | 2.76 |
| Other assets . . . . . . . . . . . . . . . | 10.90 | - | 8.69 | 0.01 | 8.98 | 0.10 | 9.36 | 0.04 | 9.55 | 0.03 |
| **Total earning assets (b)** . . . . | **100.00** | **4.14** | **100.00** | **3.65** | **100.00** | **3.43** | **100.00** | **3.32** | **100.00** | **3.36** |
| Financial system . . . . . . . . . . . | 15.19 | 0.88 | 16.06 | 0.95 | 16.35 | 0.87 | 15.65 | 0.99 | 15.77 | 1.12 |
| Customer funds (c) . . . . . . . . . . | 44.94 | 1.96 | 46.00 | 1.58 | 46.30 | 1.43 | 48.46 | 1.53 | 53.02 | 1.71 |
| Demand accounts . . . . . . . . . | 12.10 | 0.44 | 12.11 | 0.39 | 11.99 | 0.35 | 11.91 | 0.38 | 12.21 | 0.54 |
| Savings and time deposits . . . | 32.84 | 2.52 | 33.89 | 2.00 | 34.31 | 1.80 | 36.55 | 1.90 | 40.81 | 2.05 |
| Marketable debt securities & other. . . . . . . . . . . . . . . . . . . . | 28.91 | 2.40 | 27.14 | 1.44 | 26.74 | 1.52 | 24.95 | 1.59 | 20.86 | 1.33 |
| Other interest-bearing liabilities . | 0.24 | 7.69 | 0.23 | 9.07 | 0.24 | 8.81 | 0.23 | 8.84 | 0.23 | 9.02 |
| Other funds . . . . . . . . . . . . . . . | 4.92 | - | 4.03 | - | 3.51 | - | 3.99 | - | 3.42 | - |
| Equity . . . . . . . . . . . . . . . . . . . . | 5.80 | - | 6.54 | - | 6.86 | - | 6.72 | - | 6.70 | - |
| **Total funds (d)** . . . . . . . . . . . | **100.00** | **1.73** | **100.00** | **1.29** | **100.00** | **1.23** | **100.00** | **1.31** | **100.00** | **1.38** |
| *Customer spread (a-c)*. . . . . . . . | | *3.05* | | *2.86* | | *2.77* | | *2.47* | | *2.29* |
| *Spread (b-d)* . . . . . . . . . . . . . . . | | *2.41* | | *2.36* | | *2.20* | | *2.01* | | *1.98* |

# Net Fee and Commission Income

(Amounts in € thousand )

| | 30.09.10 | 30.09.09 | % variation | Distribution (%) 2010 | 2009 |
|---|---|---|---|---|---|
| Risk fees and commissions | 157,161 | 179,352 | (12.4) | 28.1 | 31.0 |
| Asset transaction services | 67,624 | 90,340 | (25.1) | 12.1 | 15.6 |
| Provision of collateral and other guarantees | 89,537 | 89,012 | 0.6 | 16.0 | 15.4 |
| Asset management fees and commissions | 113,783 | 115,665 | (1.6) | 20.4 | 20.0 |
| Securities portfolios | 18,355 | 20,310 | (9.6) | 3.3 | 3.5 |
| Mutual funds | 60,374 | 61,411 | (1.7) | 10.8 | 10.6 |
| Pension plans | 35,054 | 33,944 | 3.3 | 6.3 | 5.9 |
| Management service fees and commissions | 287,671 | 283,978 | 1.3 | 51.5 | 49.0 |
| Collection and payment handling | 139,100 | 146,149 | (4.8) | 24.9 | 25.2 |
| Securities and foreign currency purchase and sale | 8,520 | 12,291 | (30.7) | 1.5 | 2.1 |
| Demand account administration | 73,896 | 71,284 | 3.7 | 13.2 | 12.3 |
| Other | 66,155 | 54,254 | 21.9 | 11.9 | 9.4 |
| **Total** | **558,615** | **578,995** | **(3.5)** | **100.0** | **100.0** |

# Personnel and general expenses

(Amounts in € thousand )

| | 30.09.10 | 30.09.09 | % variation | Distribution (%) 2010 | Distribution (%) 2009 |
|---|---|---|---|---|---|
| **Personnel expenses:** | **584,426** | **591,167** | **(1.1)** | **65.5** | **67.3** |
| Wages and salaries | 441,637 | 448,469 | (1.5) | 49.5 | 51.0 |
| Social security charges | 102,781 | 104,464 | (1.6) | 11.5 | 11.9 |
| Other personnel expenses | 19,047 | 18,708 | 1.8 | 2.1 | 2.1 |
| Pensions | 20,961 | 19,526 | 7.3 | 2.4 | 2.3 |
| **General expenses:** | **308,265** | **287,789** | **7.1** | **34.5** | **32.7** |
| Rents and common services | 82,675 | 60,698 | 36.2 | 9.3 | 6.9 |
| Communications | 18,769 | 20,159 | (6.9) | 2.1 | 2.3 |
| Maintenance of premises and equipment | 21,504 | 19,331 | 11.2 | 2.4 | 2.2 |
| IT and other technical expenses | 58,203 | 58,875 | (1.1) | 6.5 | 6.7 |
| Stationery and office supplies | 5,391 | 5,313 | 1.5 | 0.6 | 0.6 |
| Technical reports and legal expenses | 18,438 | 17,172 | 7.4 | 2.1 | 1.9 |
| Advertising and publicity | 18,331 | 20,945 | (12.5) | 2.0 | 2.4 |
| Insurance | 3,909 | 3,384 | 15.5 | 0.4 | 0.4 |
| Security and fund transport services | 13,285 | 15,523 | (14.4) | 1.5 | 1.7 |
| Travel | 6,881 | 6,738 | 2.1 | 0.8 | 0.8 |
| Property taxes, VAT and other | 40,403 | 36,063 | 12.0 | 4.5 | 4.1 |
| Other general expenses | 20,476 | 23,588 | (13.2) | 2.3 | 2.7 |
| **Total** | **892,691** | **878,956** | **1.6** | **100.0** | **100.0** |

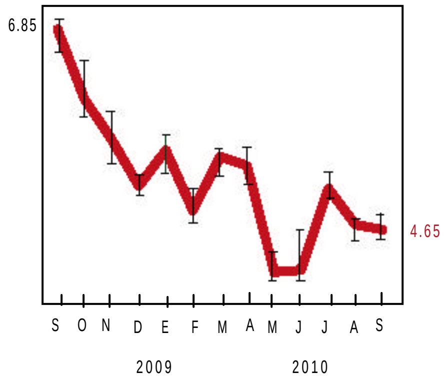
# Market Performance of the Bank's Shares

## Market information

| Quarters | | Share liquidity (Number in thousands): Average shares outstanding | Shares traded | % | Share market price (€): High | Low | Closing | Dividend paid (€) | Market return* |
|---|---|---|---|---|---|---|---|---|---|
| 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 | (21.4) |
| | 3rd | 1,265,852 | 633,766 | 50.07 | 5.34 | 4.03 | 4.65 | 0,0835 (3) | 12.3 |

** 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 excepcionally paid in December for tax reasons.*
*(3) Delivery of 1 share for each 70 shares. Excess shares are paid taking as a referente the weighted average price at the session 16/04/2010, the day before the Anual General Meeting at which this distribution was approved (€5.8429)"*

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




## Market ratios

| | 30.09.10 | 30.09.09 |
|---|---|---|
| Price / Book value | 0.76 | 1.17 |
| Price / Earnings (PE ratio) | 9.40 | 9.82 |
| Dividend return (*) | 6.71 | 6.36 |

** Calculated with the dividend paid in the first quarter, annualized.*

## Treasury Stock

| (Thousands of shares) | Number: Average | Maximum | Minimum | Closing | Total outstanding (a) | Total traded (b) | Treasury Stock*: 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 |
| Third quarter | 17,880 | 30,102 | 11,135 | 18,916 | 1,333,151 | 633,766 | 1.34 | 2.82 |

** 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 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 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

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