



HALF-YEARLY FINANCIAL REPORT 2010

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Free translation of the auditor's report on the summarized consolidated interim financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

AUDITORS' REPORT ON THE SUMMARIZED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Banco Popular Español, S.A. by request of its Directors

1. We have audited the summarized consolidated interim financial statements (the interim financial statements) of Banco Popular Español, S.A. (the parent Company) and its subsidiaries (the Group), consisting of balance sheet as at 30 June 2010, the income statement, the statement of comprehensive income, the statement of change in net equity, the cash flow statement and the related notes all of them summarized and consolidated for the six month period then ended, the preparation of which is the responsibility of the Directors of the parent Company. Our responsibility is to express and opinion of the interim financial statements as a whole, base on the work performed in accordance with auditing standards generally accepted, which require the examination, on a test basis, of evidence supporting the interim financial statements and an evaluation of their overall presentation, the accounting principles applied and the estimates made.
2. The Directors of the parent Company have prepared the interim financial statements in accordance with International Accounting Standard (IAS) 34 as adopted by the European Union, in accordance to the article 12 of the Royal Decree 1362/2007. For comparative purposes and in accordance with the aforementioned regulation, the parent Company's Directors have presented for each item of the balance sheet, the income statement, the statement of comprehensive income, the statement of change in net equity and the cash flow statement the corresponding amounts of the previous year or the previous six month period. Our opinion refers solely to the interim financial statements of the six month period ended on 30 June 2010. On 24 February 2010 and 27 July 2009, we issued our audit reports on the consolidated annual accounts for 2009 and the summarized consolidated interim financial statements for the six month period ended on 30 June 2009, respectively, in which we expressed and unqualified opinion.
3. As indicated in the related Note 2.1., the interim financial statements do not include all the information require by a set of complete consolidated financial statements prepared according to the International Financial Reporting Standards, as adopted by the European Union, so that the interim financial statements should be read together with the consolidated annual accounts as at 31 December 2009.
4. In our opinion, the summarized consolidated interim financial statements included in the financial information for the six month period referred to in the first above paragraph, have been adequately prepared, in all material respects, according to the aforementioned applicable accounting standards
5. The accompanying interim Director's Report for the six month period ended on 30 June 2010, contains the information that the parent Company's Directors consider relevant to Banco Popular Español, S.A. and its subsidiaries for that period and does not form an integral part of summarized consolidated interim financial statements, as well as the information required by the article 15 of the Royal Decree 1362/2007. We have verified that the accounting information contained in the aforementioned Director's Report coincides with that of the interim financial statements. Our work as auditor is limited to checking the interim Director's Report with the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of the parent Company and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Originally signed in Spanish
José María Sanz Olmeda
Partner

27 July 2010

FINANCIAL REPORTING RESPONSIBILITY

The condensed financial report for the first half of 2010 was prepared by the Bank's Directors at their meeting on 21 July 2010 in conformity with IFRS-EU, and accordingly gives a true and fair view of the Group's consolidated net worth, its consolidated financial position, the consolidated results of its operations, the changes in its consolidated recognised income and expenses, the changes in its consolidated equity and the consolidated cash flows during the first half of 2010.

The half-yearly financial report, which has been audited by PricewaterhouseCoopers, includes the explanations and details considered necessary for a clearer understanding of the balance sheets, income statements and other mandatory financial statements. For a thorough understanding of this condensed financial report reference should be made to the background events and major results impacting them, which are described in the Management Report included at the end of this document.

**CONDENSED FINANCIAL REPORT
FOR THE FIRST HALF OF 2010**

CONSOLIDATED BALANCE SHEETS (IFRS ADOPTED)

(in thousands of euros)

	30/06/2010	31/12/2009
ASSETS		
1. Cash and balances with central banks	1,322,478	3,748,699
2. Financial assets held for trading	1,602,477	1,353,902
3. Other financial assets at fair value through profit or loss	457,312	416,972
4. Available-for-sale financial assets	12,054,382	11,030,058
5. Loans and receivables	101,268,470	102,298,399
6. Held-to-maturity investments	2,716,884	2,266,524
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
8. Hedging derivatives	1,356,181	1,469,702
9. Non-current assets held for sale	2,943,499	2,735,721
10. Investments:	73,790	56,148
a) Associates	73,790	56,148
b) Jointly-controlled entities	-	-
11. Insurance contracts linked to pensions	166,135	173,851
12. Reinsurance assets	3,303	2,792
13. Tangible assets:	1,997,367	1,806,836
a) Tangible assets	585,888	562,949
b) Investment properties	1,411,479	1,243,887
14. Intangible assets:	485,237	486,932
a) Goodwill	411,022	417,650
b) Other intangible assets	74,215	69,282
15. Tax assets:	1,018,997	708,531
a) Current	121,012	34,510
b) Deferred	897,985	674,021
16. Other assets	815,069	735,081
TOTAL ASSETS	128,281,581	129,290,148
TOTAL LIABILITIES		
1. Financial liabilities held for trading	1,543,234	1,195,636
2. Other financial liabilities at fair value through profit or loss	130,740	104,172
3. Financial liabilities at amortised cost	114,835,383	116,448,911
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives	856,478	597,357
6. Liabilities associated with non-current assets held for sale	-	-
7. Insurance contract liabilities	1,068,956	1,073,484
8. Provisions	445,858	476,824
9. Tax liabilities:	616,601	392,543
a) Current	341,114	209,628
b) Deferred	275,487	182,915
10. Welfare fund	-	-
11. Other liabilities	560,872	553,237
12. Capital redeemable on demand	-	-
TOTAL EQUITY	8,223,459	8,447,984
SHAREHOLDERS' EQUITY		
1. Capital/Endowment fund	8,620,726	8,415,854
a) Issued	133,315	133,315
b) Minus: Uncalled capital	-	-
2. Share premium	1,891,462	1,891,462
3. Reserves	5,724,201	5,280,841
4. Other equity instruments	697,544	700,000
5. Minus: Treasury shares	(180,352)	(156,089)
6. Profit for the year allocated to the controlling company	354,556	766,132
7. Minus: Dividends & remuneration	-	(199,807)
VALUATION ADJUSTMENTS	(438,004)	(15,649)
1. Available-for-sale financial assets	(529,882)	(47,057)
2. Cash flow hedges	40,333	14,151
3. Hedges of net investments in foreign operations	-	-
4. Exchange differences	51,545	17,257
5. Non-current assets held for sale	-	-
6. Equity method companies	-	-
7. Other valuation adjustments	-	-
EQUITY ATTRIBUTED TO THE CONTROLLING COMPANY	8,182,722	8,400,205
MINORITY INTERESTS		
1. Valuation adjustments	40,737	47,779
2. Other	(52)	140
	40,789	47,639
TOTAL LIABILITIES AND EQUITY	128,281,581	129,290,148
MEMORANDUM ITEMS		
Contingent exposures	14,830,359	14,089,615
Contingent commitments	17,346,343	17,414,213

CONSOLIDATED STATEMENTS OF INCOME (IFRS ADOPTED)

(in thousands of euros)

	30/06/2010	30/06/2009
Interest and similar income	2,062,994	2,765,271
Interest expense and similar charges	777,022	1,348,066
Remuneration of capital redeemable on demand	-	-
NET INTEREST INCOME	1,285,972	1,417,205
Return on equity instruments	7,892	3,360
Share of results of entities accounted for using the equity method	(1,030)	82
Fee and commission income	433,977	447,321
Fee and commission expense	58,215	58,201
Gains/Losses on financial assets & liabilities (net)	61,098	180,854
Exchange differences (net)	27,164	23,525
Other operating income	176,443	139,624
Other operating expenses	128,552	106,711
GROSS OPERATING INCOME	1,804,749	2,047,059
Administrative expenses:	588,032	578,695
a) Personnel expenses	384,832	389,076
b) Other general administrative expenses	203,200	189,619
Depreciation & amortisation	47,682	51,059
Provisioning expense (net)	(22,968)	(15,879)
Financial asset impairment losses (net)	642,278	821,380
NET OPERATING PROFIT	549,725	611,804
Losses on impairment of other assets (net)	25,946	52,872
Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	139,568	225,051
Negative difference on consolidation	-	-
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	(162,120)	(160,997)
PROFIT BEFORE TAX	501,227	622,986
Income tax	141,010	171,853
Mandatory transfer to welfare funds	-	-
PROFIT FOR THE PERIOD FROM ONGOING OPERATIONS	360,217	451,133
Profit/Loss from discontinued operations (net)	-	-
CONSOLIDATED NET PROFIT FOR THE PERIOD	360,217	451,133
a) Profit attributed to the controlling company	354,556	442,586
b) Profit attributed to minority interests	5,661	8,547
EARNINGS PER SHARE	Amount in €	Amount in €
Basic	0.252	0.365
Diluted	0.252	0.365

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE (IFRS ADOPTED)

(in thousands of euros)

	30/06/2010	30/06/2009
A) CONSOLIDATED NET PROFIT FOR THE PERIOD	360,217	451,133
B) OTHER RECOGNISED INCOME/(EXPENSE)	(421,118)	(10,391)
1. Available-for-sale financial assets:	(683,365)	(18,630)
a) Revaluation gains/(losses)	(660,926)	165,684
b) Amounts transferred to income statement	(22,439)	(184,314)
c) Other reclassifications	-	-
2. Cash flow hedges:	37,403	5,190
a) Revaluation gains/(losses)	37,403	5,190
b) Amounts transferred to income statement	-	-
c) Amounts transferred to initial carrying amount of hedged items	-	-
d) Other reclassifications	-	-
3. Hedges of net investments in foreign operations:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
4. Exchange differences:	48,983	(5,789)
a) Revaluation gains/(losses)	48,983	(5,789)
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
5. Non-current assets held for sale:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
6. Actuarial gains/(losses) on pension plans	2,034	(4,776)
7. Equity method companies:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
8. Other recognised income and expense	-	8,393
9. Income tax	173,827	5,221
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B)	(60,901)	440,742
a) Attributed to controlling company	(66,511)	432,043
b) Attributed to minority interests	5,610	8,699

BANCO POPULAR GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS ADOPTED)

(in thousands of euros)

	CURRENT PERIOD							
	Capital	Share premium & reserves	Other equity instrum.	Minus: Treasury shares	Period profit attrib. to contro. co.	Valuation adjust.	Minority int.	Total Equity
Ending balance at 31/12/2009	133,315	6,972,496	700,000	(156,089)	766,132	(15,649)	47,779	8,447,984
Adjustments due to changes in accounting policy								-
Error correction adjustment								-
Adjusted beginning balance	133,315	6,972,496	700,000	(156,089)	766,132	(15,649)	47,779	8,447,984
Total recognised income/expense		1,288			354,556	(422,355)	5,610	(60,901)
Other equity variations		641,879	(2,456)	(24,263)	(766,132)		(12,652)	(163,624)
Increases/(reductions) in capital/endowment fund								-
Conversion of financial liabilities to equity								-
Increases in other equity instruments								-
Reclassification from/to financial liabilities								-
Distribution of dividends/Shareholder remuneration					(99,986)		(11,738)	(111,724)
Transactions involving own equity instruments (net)		(7,508)		(24,263)				(31,771)
Transfers between equity items		666,146			(666,146)			-
Increases/(reductions) due to business combinations								-
Discretionary transfer to welfare funds								-
Payments with equity instruments								-
Other variations		(16,759)	(2,456)				(914)	(20,129)
Ending balance at 30/06/2010	133,315	7,615,663	697,544	(180,352)	354,556	(438,004)	40,737	8,223,459

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS ADOPTED)

(in thousands of euros)

	PREVIOUS PERIOD							
	Capital	Share premium & reserves	Other equity instrum.	Minus: Treasury shares	Period profit attrib. to contro. co.	Valuation adjust.	Minority int.	Total Equity
Ending balance at 31/12/2008	123,574	5,639,876		(81,128)	1,052,072	30,770	292,492	7,057,656
Adjustments due to changes in accounting policy								-
Error correction adjustment								-
Adjusted beginning balance	123,574	5,639,876		(81,128)	1,052,072	30,770	292,492	7,057,656
Total recognised income/expense		(3,039)			442,586	(7,504)	8,699	440,742
Other equity variations		1,003,941		(101,654)	(1,052,072)		(27,664)	(177,449)
Increases/(reductions) in capital/endowment fund								-
Conversion of financial liabilities to equity								-
Increases in other equity instruments								-
Reclassification from/to financial liabilities								-
Distribution of dividends/Shareholder remuneration					(98,859)		(27,238)	(126,097)
Transactions involving own equity instruments (net)		40,990		(101,654)				(60,664)
Transfers between equity items		953,213			(953,213)			-
Increases/(reductions) due to business combinations								-
Discretionary transfer to welfare funds								-
Payments with equity instruments								-
Other variations		9,738					(426)	9,312
Ending balance at 30/06/2009	123,574	6,640,778		(182,782)	442,586	23,266	273,527	7,320,949

CONSOLIDATED CASH FLOW STATEMENT (INDIRECT METHOD) (IFRS ADOPTED)

(in thousands of euros)

	30/06/2010	30/06/2009
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	(1,690,701)	371,363
1. Consolidated profit for period	360,217	451,133
2. Adjustments to obtain cash flows from operating activities	1,060,660	819,125
(+) Depreciation & amortisation	47,682	51,059
(+/-) Other adjustments	1,012,978	768,066
3. Net increase/(decrease) in operating assets and liabilities	(3,198,970)	(1,070,748)
(+/-) Operating assets	(1,271,757)	(9,324,283)
(+/-) Operating liabilities	(1,927,213)	8,253,535
4. Income tax receipts/(payments)	87,392	171,853
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(586,706)	(483,590)
1. Payments:	(679,416)	(632,672)
(-) Tangible assets	(154,647)	(106,249)
(-) Intangible assets	(36,468)	(11,164)
(-) Investments	(18,672)	-
(-) Dependent companies and other business units	-	-
(-) Non-current assets and associated liabilities held for sale	(19,269)	-
(-) Held-to-maturity investments	(450,360)	(515,259)
(-) Other payments relating to investing activities	-	-
2. Receipts:	92,710	149,082
(+) Tangible assets	92,710	74,672
(+) Intangible assets	-	-
(+) Investments	-	5,153
(+) Dependent companies and other business units	-	-
(+) Non-current assets and associated liabilities held for sale	-	69,257
(+) Held-to-maturity investments	-	-
(+) Other receipts relating to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(148,607)	(6,149)
1. Payments:	(401,051)	(608,888)
(-) Dividends	(99,986)	(248,965)
(-) Subordinated liabilities	(4,893)	-
(-) Redemption of own equity instruments	(2,456)	-
(-) Acquisition of own equity instruments	(276,707)	(359,923)
(-) Other payments relating to financing activities	(17,009)	-
2. Receipts:	252,444	602,739
(+) Subordinated liabilities	-	344,470
(+) Issuance of own equity instruments	-	-
(+) Disposal of own equity instruments	252,444	258,269
(+) Other receipts relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE VARIATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C+D)	(2,426,014)	(118,376)
F) CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,747,768	1,857,394
G) CASH & CASH EQUIVALENTS AT END OF PERIOD (E + F)	1,321,754	1,739,018

COMPONENTS OF CASH & CASH EQUIVALENTS AT END OF PERIOD

(+) Cash	350,932	385,143
(+) Cash equivalent balances at central banks	970,822	1,353,875
(+) Other financial assets	-	-
(-) Minus: Bank overdrafts repayable on demand	-	-
TOTAL CASH & CASH EQUIVALENTS AT END OF PERIOD	1,321,754	1,739,018

BANCO POPULAR GROUP

Below are the individual balance sheet, income statement, statement of recognised income and expense, statement of changes in equity, and cash flow statement of Banco Popular Español, S.A. for the six months ended 30 June 2010 and the necessary comparative information at 31 December and 30 June 2009, as appropriate, prepared following the same accounting principles, standards and valuation methods as those applied in the Group's consolidated interim financial report. The interim financial statements were prepared using the same accounting policies and methods as in the 2009 annual report.

INDIVIDUAL BALANCE SHEETS

(in thousands of euros)

	30/06/2010	31/12/2009
ASSETS		
1. Cash and balances with central banks	1,156,819	3,518,185
2. Financial assets held for trading	1,622,177	1,946,314
3. Other financial assets at fair value through profit or loss	-	-
4. Available-for-sale financial assets	13,598,732	14,368,633
5. Loans and receivables	102,929,767	102,283,531
6. Held-to-maturity investments	2,436,493	2,015,809
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
8. Hedging derivatives	1,246,649	894,678
9. Non-current assets held for sale	916,197	704,725
10. Investments:	1,747,989	1,717,706
a) Associates	22,421	3,211
b) Jointly-controlled entities	9,304	9,304
c) Group companies	1,716,264	1,705,191
11. Insurance contracts linked to pensions	52,533	63,031
13. Tangible assets:	351,456	381,979
a) Tangible assets	342,898	372,961
b) Investment properties	8,558	9,018
14. Intangible assets:	54,596	48,544
a) Goodwill	-	-
b) Other intangible assets	54,596	48,544
15. Tax assets:	707,234	477,245
a) Current	70,111	12,759
b) Deferred	637,123	464,486
16. Other assets	220,135	188,241
TOTAL ASSETS	127,040,777	128,608,621
TOTAL LIABILITIES		
1. Financial liabilities held for trading	119,378,041	120,839,939
2. Other financial liabilities at fair value through profit or loss	1,565,797	1,387,064
3. Financial liabilities at amortised cost	-	-
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	115,883,593	118,070,566
5. Hedging derivatives	820,254	504,086
6. Liabilities associated with non-current assets held for sale	-	-
8. Provisions	321,035	359,231
9. Tax liabilities:	367,294	244,518
a) Current	297,061	157,067
b) Deferred	70,233	87,451
10. Welfare fund	-	-
11. Other liabilities	420,068	274,474
12. Capital redeemable on demand	-	-
TOTAL EQUITY	7,662,736	7,768,682
SHAREHOLDERS' EQUITY		
1. Capital/Endowment fund	8,087,147	7,791,203
a) Issued	133,315	133,315
b) Minus: Uncalled capital	133,315	133,315
2. Share premium	-	-
3. Reserves	1,891,462	1,891,462
4. Other equity instruments	5,075,832	4,598,671
5. Minus: Treasury shares	700,000	700,000
6. Profit for the period	(92,781)	(132,778)
7. Minus: Dividends & remuneration	379,319	800,506
VALUATION ADJUSTMENTS	-	(199,973)
1. Available-for-sale financial assets	(424,411)	(22,521)
2. Cash flow hedges	(464,744)	(36,672)
3. Hedges of net investments in foreign operations	40,333	14,151
4. Exchange differences	-	-
5. Non-current assets held for sale	-	-
6. Equity method companies	-	-
7. Other valuation adjustments	-	-
TOTAL LIABILITIES AND EQUITY	127,040,777	128,608,621
MEMORANDUM ITEMS		
Contingent exposures	21,075,935	21,776,154
Contingent commitments	15,528,558	15,442,401

INDIVIDUAL STATEMENTS OF INCOME

(in thousands of euros)

	30/06/2010	30/06/2009
Interest and similar income	1,996,874	2,367,437
Interest expense and similar charges	880,263	1,336,894
Remuneration of capital redeemable on demand	-	-
NET INTEREST INCOME	1,116,611	1,030,543
Return on equity instruments	36,691	63,321
Share of results of entities accounted for using the equity method	-	-
Fee and commission income	394,543	350,080
Fee and commission expense	52,449	45,554
Gains/Losses on financial assets & liabilities (net)	29,909	79,202
Exchange differences (net)	25,219	22,305
Other operating income	47,081	23,233
Other operating expenses	22,708	12,012
GROSS OPERATING INCOME	1,574,897	1,511,118
Administrative expenses:	478,953	408,369
a) Personnel expenses	321,240	279,935
b) Other general administrative expenses	157,713	128,434
Depreciation & amortisation	36,577	37,043
Provisioning expense (net)	(23,629)	(14,041)
Financial asset impairment losses (net)	675,444	698,683
NET OPERATING PROFIT	407,552	381,064
Losses on impairment of other assets (net)	351	346
Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	144,709	180,659
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	(35,463)	(12,129)
PROFIT BEFORE TAX	516,447	549,248
Income tax	137,128	134,522
Mandatory transfer to welfare funds	-	-
PROFIT FOR THE PERIOD FROM ONGOING OPERATIONS	379,319	414,726
Profit/Loss from discontinued operations (net)	-	-
PROFIT FOR THE PERIOD	379,319	414,726
EARNINGS PER SHARE	Amount	Amount
Basic	0.288	0.336
Diluted	0.288	0.336

INDIVIDUAL STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(in thousands of euros)

	30/06/2010	30/06/2009
A) CONSOLIDATED NET PROFIT FOR THE PERIOD	379,319	414,726
B) OTHER RECOGNISED INCOME/(EXPENSE)	(397,707)	(3,158)
1. Available-for-sale financial assets:	(596,793)	34,566
a) Revaluation gains/(losses)	(562,590)	125,320
b) Amounts transferred to income statement	(34,203)	(90,754)
c) Other reclassifications	-	-
2. Cash flow hedges:	41,531	6,067
a) Revaluation gains/(losses)	51,162	8,112
b) Amounts transferred to income statement	(9,631)	(2,045)
c) Amounts transferred to initial carrying amount of hedged items	-	-
d) Other reclassifications	-	-
3. Hedges of net investments in foreign operations:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
4. Exchange differences:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
5. Non-current assets held for sale:	-	-
a) Revaluation gains/(losses)	-	-
b) Amounts transferred to income statement	-	-
c) Other reclassifications	-	-
6. Actuarial gains/(losses) on pension plans	5,896	(5,373)
7. Other recognised income and expense	-	-
8. Income tax	151,659	(38,418)
TOTAL RECOGNISED INCOME/(EXPENSE) (A + B)	(18,388)	411,568

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	CURRENT PERIOD						Total Equity
	Capital	Share premium & reserves	Other equity instrum.	Minus: Treasury shares	Profit for the period	Valuation adjust.	
Ending balance at 31/12/2009	133,315	6,290,160	700,000	(132,778)	800,506	(22,521)	7,768,682
Adjustments due to changes in accounting policy							-
Error correction adjustment							-
Adjusted beginning balance	133,315	6,290,160	700,000	(132,778)	800,506	(22,521)	7,768,682
Total recognised income/expense		4,183			379,319	(401,890)	(18,388)
Other equity variations		672,951		39,997	(800,506)		(87,558)
Increases/(reductions) in capital							-
Conversion of financial liabilities to equity							-
Increases in other equity instruments							-
Reclassification from/to financial liabilities							-
Distribution of dividends/Shareholder remuneration					(99,986)		(99,986)
Transactions involving own equity instruments (net)		(3,079)		39,997			36,918
Transfers between equity items		700,520			(700,520)		-
Business combinations							-
Discretionary transfer to welfare funds							-
Payments with equity instruments							-
Other variations in equity		(24,490)					(24,490)
Ending balance at 30/06/2010	133,315	6,967,294	700,000	(92,781)	379,319	(424,411)	7,662,736

INDIVIDUAL STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	PREVIOUS PERIOD						Total Equity
	Capital	Share premium & reserves	Other equity instrum.	Minus: Treasury shares	Profit for the period	Valuation adjust.	
Ending balance at 31/12/2008	123,574	4,601,997		(13)	579,783	8,934	5,314,275
Adjustments due to changes in accounting policy							-
Error correction adjustment							-
Adjusted beginning balance	123,574	4,601,997		(13)	579,783	8,934	5,314,275
Total recognised income/expense		(3,761)			414,726	603	411,568
Other equity variations		521,383		(159,586)	(579,783)		(217,986)
Increases/(reductions) in capital							-
Conversion of financial liabilities to equity							-
Increases in other equity instruments							-
Reclassification from/to financial liabilities							-
Distribution of dividends/Shareholder remuneration					(98,858)		(98,858)
Transactions involving own equity instruments (net)		42,113		(159,586)			(117,473)
Transfers between equity items		480,925			(480,925)		-
Business combinations							-
Discretionary transfer to welfare funds							-
Payments with equity instruments							-
Other variations in equity		(1,655)					(1,655)
Ending balance at 30/06/2009	123,574	5,119,619		(159,599)	414,726	9,537	5,507,857

INDIVIDUAL CASH FLOW STATEMENTS (INDIRECT METHOD)

(in thousands of euros)

	30/06/2010	30/06/2009
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4)	(1,791,368)	3,472,466
1. Profit for the period	379,319	414,726
2. Adjustments to obtain cash flows from operating activities	964,634	372,421
(+) Depreciation & amortisation	36,577	37,043
(+/-) Other adjustments	928,057	335,378
3. Net increase/(decrease) in operating assets and liabilities	(3,216,293)	2,550,797
(+/-) Operating assets	(729,447)	(24,131,050)
(+/-) Operating liabilities	(2,486,846)	26,681,847
4. Income tax receipts/(payments)	80,972	134,522
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	(504,567)	(863,596)
1. Payments:	(595,042)	(875,960)
(-) Tangible assets	(88,000)	(198,638)
(-) Intangible assets	(15,392)	(24,867)
(-) Investments	(56,337)	(128,596)
(-) Dependent companies and other business units	-	-
(-) Non-current assets and associated liabilities held for sale	(14,629)	-
(-) Held-to-maturity investments	(420,684)	(523,859)
(-) Other payments relating to investing activities	-	-
2. Receipts:	90,475	12,364
(+) Tangible assets	90,475	12,129
(+) Intangible assets	-	-
(+) Investments	-	-
(+) Dependent companies and other business units	-	-
(+) Non-current assets and associated liabilities held for sale	-	-
(+) Held-to-maturity investments	-	235
(+) Other receipts relating to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	(65,224)	(2,792,204)
1. Payments:	(124,419)	(3,557,899)
(-) Dividends	(99,986)	(248,965)
(-) Subordinated liabilities	-	-
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	-	(465,096)
(-) Other payments relating to financing activities	(24,433)	(2,843,838)
2. Receipts:	59,195	765,695
(+) Subordinated liabilities	19,198	243,377
(+) Issuance of own equity instruments	-	175,868
(+) Disposal of own equity instruments	39,997	346,450
(+) Other receipts relating to financing activities	-	-
D) EFFECT OF EXCHANGE RATE VARIATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C+D)	(2,361,159)	(183,334)
F) CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,517,254	1,624,545
G) CASH & CASH EQUIVALENTS AT END OF PERIOD (E + F)	1,156,095	1,441,211

COMPONENTS OF CASH & CASH EQUIVALENTS AT END OF PERIOD

(+) Cash	301,816	265,220
(+) Cash equivalent balances at central banks	854,279	1,175,991
(+) Other financial assets	-	-
(-) Minus: Bank overdrafts repayable on demand	-	-
TOTAL CASH & CASH EQUIVALENTS AT END OF PERIOD	1,156,095	1,441,211

**EXPLANATORY NOTES TO THE CONDENSED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

1. Nature of the institution

Banco Popular Español, S.A. ("Banco Popular" or "the Bank") was incorporated on 14 July 1926, and is domiciled at Velázquez 34, Madrid.

Banco Popular Español, S.A. is a private law entity whose corporate purpose, per Article 4 of its bylaws, is banking. Its activities are subject to the rules and regulations applicable to banks operating in Spain.

The shares of Banco Popular are listed on the four Spanish stock exchanges and are traded on the continuous market, and Euronext Lisbon.

The Group has also issued fixed income securities (euronotes, preferred shares, covered bonds, securitization bonds, subordinated bonds, etc.) which are listed on the following markets: AIAF Fixed Income Market, London Stock Exchange, Frankfurt Stock Exchange, Luxembourg Stock Exchange, Euronext Amsterdam, Euronext Lisbon, and Irish Stock Exchange.

Banco Popular is the controlling company of a group of companies comprising the Banco Popular Group. The consolidated interim financial reports include, as appropriate, the related investments in dependent and jointly-controlled companies and the investments in associates. The companies comprising the Group engage basically in financial activities and there are no material seasonal variations that give rise to significant differences in the comparability of the information provided.

At 30 June 2010 the total assets, equity and earnings for the period of Banco Popular Español, S.A. accounted for 99%, 93% and 107%, respectively, of the same items in the consolidated Group (99%, 93% and 94%, respectively, at 31 December and 30 June 2009).

2. Basis of presentation, estimates made, accounting principles and policies applied in preparing the condensed interim financial report.

2.1 Basis of presentation

The condensed interim financial report of Banco Popular and its consolidated Group for the six-month period ended 30 June 2010 was prepared by the Bank's Directors at the meeting of the Board of Directors on 21 July 2010.

This condensed interim financial report was prepared in conformity with International Accounting Standard 34 "Interim Financial Reporting" of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) from the accounting records kept by Banco Popular Español and the other Group companies. However, since the accounting principles and valuation methods applied in preparing the consolidated condensed interim financial report may differ from those used by some of the Group companies, the necessary adjustments and reclassifications were made in the process of consolidation to harmonise the principles and methods and adapt them to IFRS-EU as applied by the controlling company.

The consolidated interim financial report prepared by the Bank's Directors must be read in conjunction with the consolidated financial statements for the year ended 31 December 2009, prepared in conformity with IFRS-EU and taking into consideration Bank of Spain Circular 4/2004, that were prepared on 24 February 2010 and approved by the shareholders at the General Meeting held on 19 April 2010. Accordingly, there is no need to repeat or update certain notes or estimates included in the aforementioned consolidated financial statements. Instead, the accompanying selected notes include an explanation of the events or variations that are relevant for an understanding of the changes in the Group's consolidated financial position and the consolidated results of its operations, in the consolidated equity, in the consolidated total income and expenses and in the consolidated cash flows since the date of publication of the aforementioned financial statements, up to and including 30 June 2010.

2.2 Accounting principles and policies

The accounting principles and policies adopted in preparing this consolidated condensed interim financial report are consistent with those used to prepare the 2009 consolidated annual financial statements, which are described in Note 15 thereto.

A number of changes to the regulations on accounting principles and policies came into force in the first half of 2010 as a result of the adoption of various Regulations of the European Parliament and of the Council:

- Regulation (EU) 243/2010 published minor amendments to the following standards and interpretations:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements

IAS 7 Statement of Cash Flows
IAS 17 Leases
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC Interpretation 9 Reassessment of Embedded Derivatives
IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

- Regulation (EU) 244/2010 partially amended IFRS 2 and withdrew IFRIC Interpretation 8 and IFRIC Interpretation 11.

IFRS 2 Share-based Payment
IFRIC 8 Scope of IFRS 2
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

- Regulation (EU) 550/2010 amended IFRS 1 for entities adopting the International Financial Reporting Standards for the first time.

IFRS 1 First-time Adoption of International Financial Reporting Standards

These regulatory changes have not involved any material changes in the Group's total assets, earnings or net worth.

The information contained in this condensed interim financial report is the responsibility of the Directors of Banco Popular. In the report, use has been made, where appropriate, of estimates in valuing certain assets, liabilities, income, expenses and commitments; these estimates were made by the senior management of the Bank and of the investees and were ratified by their directors. These estimates relate to:

- The losses for impairment of certain assets.
- The actuarial assumptions used in calculating the liabilities and commitments for post-employment compensation.
- The useful life adopted for items of tangible assets and intangible assets.
- The fair value of certain unlisted assets.
- The reversal period of the temporary differences for the purposes of their valuation.
- The estimate of the corporate income tax expense for the half year.

2.3 Comparative information

The formats of the consolidated balance sheets, income statements, statements of recognised income and expense, cash flow statements and total statements of changes in equity presented herein are those contained in CNMV Circular 1/2008 and Bank of Spain Circular 4/2004.

The regulatory adjustments made during the first half of 2010 did not affect the comparability of the Group's financial information and it has therefore not been necessary to adapt or reclassify any quantitative information relating to the same period of 2009.

3. Composition of the Group

3.1 Consolidation principles.

The Group has been defined in accordance with IFRS-EU: all the dependent and jointly-controlled companies and associates are investees.

Those investees that constitute a decision-making unit with Banco Popular, which are those over which the Bank has directly or indirectly, through another or other investees, capacity to exercise control, are dependent companies. In general, but not exclusively, this ability to exercise control is manifested by having, either directly or indirectly through another or other investees, a holding of 50% or more of the voting rights at the investee. Control is deemed to be the power to direct the financial and operating policies of an investee in order to obtain profit from its activities, and may be exercised even if the aforementioned percentage of ownership is not maintained.

The methods of consolidation applied are: that of full consolidation for dependent companies, that of proportionate consolidation for jointly-controlled companies and the equity method for associates.

3.2. Changes in the composition of the Group.

Note 2 to the 2009 financial statements gives full details of the breakdown of companies that comprise the scope of consolidation.

BANCO POPULAR GROUP

Below are listed the acquisitions or increases in stakes in dependent companies, joint ventures and/or investments in associates carried out by the Group in the six-month period ended 30 June 2010:

Name of company	Category	Effective date of transaction (dd-mm-yy)	Cost (net) of the combination (a) + (b)		% of voting rights acquired	% of total voting rights at company after acquisition
			Amount (net) paid in the acquisition + other costs directly attributable to the combination (a)	Fair value of the equity instruments issued for acquisition of the company (b)		
Aviación Intercontin. AIE	Acquisition	may-10	0	0	35.00	35.00
Cédulas TDA 19 F.T.A.	Formation	jun-10	0	0	33.33	33.33

The detail of the decrease in stakes in dependent companies, joint ventures and/or investments in associates or other operations of a similar nature carried out by the Group in the last six months is as follows:

Name of company (or branch of activity) disposed of, demerged or eliminated	Category	Effective date of transaction (dd-mm-yy)	% of voting rights disposed of or eliminated	% of total voting rights at company after disposal or demerger	Profit/(loss) generated (thousands of euros)
Cédulas TDA 11 F.T.A.	Winding-up	jun-10	50.00	0.00	0
Aliseda USA, LLC	Winding-up	jun-10	100.00	0.00	0
IM Cédulas GBP 4, F.T.A.	Winding-up	jun-10	100.00	0.00	0

3.3 Business combinations

During the six-month period ended 30 June 2010 the Banco Popular Group did not intervene in any business combinations.

4. Segmented information

Detailed below is the breakdown, both for Banco Popular Español S.A. and the consolidated Group, of the interest and similar income by geographical area for the six-month periods ended 30 June 2010 and 2009:

GEOGRAPHICAL AREA	Banco Popular Español			(Thousands of euros) Consolidated Group		
	30/06/2010	30/06/2009	% Variation	30/06/2010	30/06/2009	% Variation
Domestic Market	1,996,874	2,367,437	-15.7	1,905,202	2,543,422	-25.1
Export:						
a) European Union	-	-	-	129,106	185,593	-30.4
b) OECD Countries	-	-	-	28,684	36,256	-20.9
c) All other countries	-	-	-	2	-	>
TOTAL	1,996,874	2,367,437	-15.7	2,062,994	2,765,271	-25.4

GRUPO BANCO POPULAR

The breakdown of consolidated ordinary income for each of the Group's segments of activity for the six-month periods ended 30 June 2010 and 2009 is as follows:

SEGMENTS	Ordinary income from external customers		Ordinary income between segments		Total ordinary income	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	(Thousands of euros)					
Asset management	67,502	76,187	17,608	29,019	85,110	105,206
Insurance activity	111,088	97,814	1,271	3,784	112,359	101,598
Commercial banking	1,931,600	2,547,109	-	-	1,931,600	2,547,109
Corporate & markets	632,214	815,320	457,450	456,810	1,089,664	1,272,130
(-) Adjustments & eliminations of ordinary income between segments	-	-	(476,329)	(489,613)	(476,329)	(489,613)
TOTAL	2,742,404	3,536,430	-	-	2,742,404	3,536,430

The consolidated profit for the segments reported on and its reconciliation with the profit before tax of the consolidated income statement, for the six-month periods ended 30 June 2010 and 2009 is as follows:

(thousands of euros)

Segments	30/06/2010	30/06/2009
Asset management	26,030	27,870
Insurance activity	16,302	12,534
Commercial banking	216,225	363,448
Corporate & markets	101,660	47,281
Total profit of the segments reported on	360,217	451,133
(+/-) Unallocated profit	-	-
(+/-) Elimination of internal results (between segments)	-	-
(+/-) Income tax &/or profit from discontinued operations	141,010	171,853
(+/-) Other earnings	-	-
PROFIT BEFORE TAX	501,227	622,986

5. Financial instruments

5.1 Breakdown of financial instruments by portfolios.

The breakdown of the financial instruments included in the Group's individual and consolidated condensed balance sheets, based on their nature and the portfolio in which they are booked, at 30 June 2010 was as follows:

Financial assets	(thousands of euros)				
	Financial assets held for trading	Other financial assets at FV through P/L	Financial assets available for sale	Loans and receivables	Held-to-maturity investments
Loans and advances to credit institutions.....	-	-	-	10,544,177	-
Loans and advances to other debtors.....	-	-	-	92,385,590	-
Debt securities.....	13,837	-	13,208,807	-	2,436,493
Equity instruments.....	16,070	-	389,925	-	-
Trading derivatives.....	1,592,270	-	-	-	-
INDIVIDUAL TOTAL.....	1,622,177	-	13,598,732	102,929,767	2,436,493
Loans and advances to credit institutions.....	-	-	-	4,311,288	-
Loans and advances to other debtors.....	-	-	-	96,957,182	-
Debt securities.....	14,589	308,807	11,586,620	-	2,716,884
Equity instruments.....	20,458	148,505	467,762	-	-
Trading derivatives.....	1,567,430	-	-	-	-
CONSOLIDATED TOTAL.....	1,602,477	457,312	12,054,382	101,268,470	2,716,884

GRUPO BANCO POPULAR

(thousands of euros)

Financial liabilities	Financial liabilities held for trading	Other financial liabilities at FV through P/L	Financial liabilities at amortised cost
Deposits from central banks	-	-	4,798,312
Deposits from credit institutions.	-	-	14,659,508
Customer deposits	-	-	75,084,230
Bonds and other marketable debt securities.. . . .	-	-	18,058,846
Trading derivatives	1,553,025	-	-
Subordinated liabilities	-	-	2,603,772
Short positions	12,772	-	-
Other financial liabilities	-	-	678,925
INDIVIDUAL TOTAL	1,565,797	-	- 115,883,593
Deposits from central banks	-	-	4,798,312
Deposits from credit institutions.	-	-	14,569,486
Customer deposits	-	-	66,281,010
Bonds and other marketable debt securities.. . . .	-	-	26,292,654
Trading derivatives	1,530,462	-	-
Subordinated liabilities	-	-	1,857,943
Short positions	12,772	-	-
Other financial liabilities	-	130,740	1,035,978
CONSOLIDATED TOTAL	1,543,234	- 130,740	- 114,835,383

The breakdown of the financial instruments included in the Group's individual and consolidated condensed balance sheets, based on their nature and the portfolio in which they are booked, at 31 December 2009 was as follows:

(thousands of euros)

	Financial assets held for trading	Other financial assets at FV through P/L	Available-for-sale financial assets	Loans and receivables	Held-to-maturity investments
Loans and advances to credit institutions.	-	-	-	12,969,795	-
Loans and advances to other debtors.	-	-	-	89,313,736	-
Debt securities.	21,201	-	14,022,488	-	2,015,809
Equity instruments	493,670	-	346,145	-	-
Trading derivatives	1,431,443	-	-	-	-
INDIVIDUAL TOTAL	1,946,314	-	14,368,633	102,283,531	2,015,809
Loans and advances to credit institutions.	-	-	-	7,341,911	-
Loans and advances to other debtors.	-	-	-	94,956,488	-
Debt securities.	21,953	296,343	10,609,913	-	2,266,524
Equity instruments	498,065	120,629	420,145	-	-
Trading derivatives	833,884	-	-	-	-
CONSOLIDATED TOTAL	1,353,902	416,972	11,030,058	102,298,399	2,266,524

GRUPO BANCO POPULAR

(thousands of euros)

Financial liabilities	Financial liabilities held for trading	Other financial liabilities at FV through P/L	Financial liabilities at amortised cost
Deposits from central banks	-	-	3,131,073
Deposits from credit institutions	-	-	21,408,659
Customer deposits	-	-	70,665,513
Bonds and other marketable debt securities	-	-	19,790,103
Trading derivatives	1,387,064	-	-
Subordinated liabilities	-	-	2,543,438
Short positions	-	-	-
Other financial liabilities	-	-	531,780
INDIVIDUAL TOTAL	1,387,064	-	118,070,566
Deposits from central banks	-	-	3,131,073
Deposits from credit institutions	-	-	20,768,879
Customer deposits	-	-	59,557,592
Bonds and other marketable debt securities	-	-	30,333,821
Trading derivatives	1,195,636	-	-
Subordinated liabilities	-	-	1,820,215
Short positions	-	-	-
Other financial liabilities	-	104,172	837,331
CONSOLIDATED TOTAL	1,195,636	104,172	- 116,448,911

5.1.1 Financial assets and liabilities held for trading

This reflects the amounts of asset and liability items originally defined by the Group as realisable at short term or corresponding to the valuations of derivatives not designated as accounting hedge instruments. The breakdown of the most significant balances of the financial assets and liabilities held for trading caption in the balance sheets at 30 June 2010 and 31 December 2009 is as follows.

a) Debt securities

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Spanish government debt securities	13,798	21,201	13,798	21,201
Foreign government debt securities	-	-	-	-
Issued by credit institutions	-	-	752	752
Issued by residents & non-residents	39	-	39	-
Total	13,837	21,201	14,589	21,953

b) Other equity instruments

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Credit institutions	9,367	81,267	9,367	81,267
Other residents & non-residents	6,703	412,403	11,091	416,798
Total	16,070	493,670	20,458	498,065

c) Trading derivatives

(thousands of euros)	Banco Popular Español					
	30/06/2010			31/12/2009		
	Notional value	Valuation		Notional value	Valuation	
		Positive	Negative		Positive	Negative
Exchange rate risk	5,867,241	117,662	107,121	4,036,257	41,315	33,804
Interest rate risk	39,534,961	741,060	744,872	42,060,531	816,409	779,424
Risk on shares	2,926,460	732,797	700,281	3,462,112	572,674	572,791
Risk on commodities	6,892	751	751	11,072	1,045	1,045
Total	48,335,554	1,592,270	1,553,025	49,569,972	1,431,443	1,387,064

(thousands of euros)	Consolidated					
	30/06/2010			31/12/2009		
	Notional value	Valuation		Notional value	Valuation	
		Positive	Negative		Positive	Negative
Exchange rate risk	5,895,205	117,662	109,582	4,087,449	41,315	33,811
Interest rate risk	39,339,662	730,769	720,760	41,977,608	228,533	588,706
Risk on shares	2,890,879	718,248	699,369	3,415,370	562,991	572,074
Risk on commodities & other risks	6,892	751	751	11,072	1,045	1,045
Total	48,132,638	1,567,430	1,530,462	49,491,499	833,884	1,195,636

5.1.2 Available-for-sale financial assets

This caption includes the debt securities and equity instruments not classified in other categories. The breakdown of this caption for the periods ended 30 June 2010 and 31 December 2009 is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Debt securities	13,208,807	14,022,487	11,586,620	10,609,913
Spanish government debt securities	4,914,959	4,540,392	5,020,582	4,641,669
Debt securities of other Spanish general government	311,654	144,345	321,242	144,345
Foreign government debt securities	-	-	895,070	1,035,331
Issued by credit institutions	2,432,152	2,068,087	2,984,396	2,389,600
Issued by residents & non-residents	5,551,396	7,277,816	2,370,008	2,410,462
Valuation adjustments	(1,354)	(8,153)	(4,678)	(11,494)
Other equity instruments	389,925	346,145	467,762	420,145
Credit institutions	389,240	345,526	438,690	396,597
Other residents & non-residents	685	619	29,072	23,548
Total	13,598,732	14,368,632	12,054,382	11,030,058

5.1.3 Loans and receivables

This caption in the balance sheets includes the financial assets recorded at amortised cost using the effective interest rate method.

The main items comprising this balance sheet caption are Loans and advances to credit institutions and Loans and advances to other debtors, the breakdown of which at 30 June 2010 and 31 December 2009 is as follows:

a) The breakdown by instruments of the Loans and advances to credit institutions is as follows:

(in thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Reciprocal accounts	880,218	769,188	18,765	29,421
Time deposits	5,244,661	4,697,554	380,901	258,643
Asset repos	2,649,217	5,535,512	1,925,347	4,994,520
Other accounts	1,552,884	1,284,464	1,724,235	1,432,036
Cheques payable by credit institutions	205,532	117,258	253,226	182,972
Clearing house	-	535,288	1,755	431,912
Doubtful assets	35,845	34,689	35,845	34,689
Valuation adjustments (+/-)	(24,180)	(4,158)	(28,786)	(22,282)
of which: value adjustments for impairment of assets	(32,555)	(31,509)	(32,555)	(31,509)
Total	10,544,177	12,969,795	4,311,288	7,341,911

b) The breakdown by instruments of the Loans and advances to other debtors is as follows:

(in thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Trade loans and discounts	4,153,346	4,314,520	4,707,975	5,038,485
Mortgage loans	45,298,717	44,621,895	48,278,167	47,655,668
Other secured loans	43,218	71,906	101,894	125,840
Asset repos	6,221,454	6,179,149	6,221,454	6,179,048
Other term loans	28,107,524	26,037,571	27,812,622	26,095,342
Finance leasing	2,863,747	2,962,138	3,159,591	3,231,087
Overdrafts and other	2,887,297	2,549,747	3,339,738	3,033,485
Doubtful assets	5,086,621	4,708,364	5,749,601	5,334,318
Other financial assets	171,807	128,728	179,220	669,649
Total lending to customers	94,833,731	91,574,018	99,550,262	97,362,922
Valuation adjustments (+/-)	(2,448,141)	(2,260,282)	(2,593,080)	(2,406,434)
of which: value adjustments for impairment of assets	(2,577,027)	(2,402,564)	(2,721,162)	(2,551,342)
Total	92,385,590	89,313,736	96,957,182	94,956,488

However, the maximum exposure to credit risk arising from the previous table is mitigated by the collateral guarantees securing a large portion of the loans granted, although they are only recorded under "secured loans" when the guarantee covers all of the loan.

Additionally, the impairment adjustments that serve as coverage for credit risk are as follows:

	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Determined specifically	2,084,233	1,724,013	2,143,468	1,781,495
Determined generally	489,957	677,260	576,038	768,312
Cross-border risk	2,837	1,291	1,656	1,535
Total	2,577,027	2,402,564	2,721,162	2,551,342

Lastly, the variations in the impairment adjustment accounts including contingent exposures at individual and consolidated level are as follows:

Banco Popular Español	2010				2009			
	Specific	General	Cross-border	Total	Specific	General	Cross-border	Total
Balance prev. December	1,857,170	751,648	2,818	2,611,636	561,308	1,043,527	2,992	1,607,827
Period provisions	778,993	(207,567)	278	571,704	694,085	(243,368)	610	451,327
Amounts used	(358,630)	-	-	(358,630)	(174,268)	-	-	(174,268)
Other variations	(64,678)	-	(1)	(64,679)	(39,982)	-	1	(39,981)
Balances first half	2,212,855	544,081	3,095	2,760,031	1,041,143	800,159	3,603	1,844,905

Consolidated	2010				2009			
	Specific	General	Cross-border	Total	Specific	General	Cross-border	Total
Balance prev. December	1,916,847	850,508	3,131	2,770,486	922,037	1,296,003	3,862	2,221,902
Period provisions	793,916	(204,213)	133	589,836	896,655	(293,201)	293	603,747
Amounts used	(393,074)	-	-	(393,074)	(425,451)	-	-	(425,451)
Other variations	(52,578)	-	-	(52,578)	(98,651)	-	-	(98,651)
Balances first half	2,265,111	646,295	3,264	2,914,670	1,294,590	1,002,802	4,155	2,301,547

5.1.4 Financial liabilities at amortised cost

This balance sheet caption includes the repayable amounts received by the Bank. These liabilities are valued at their amortised cost using the effective interest rate method.

The main items that comprise this balance sheet caption are Deposits from credit institutions, Deposits from other creditors, Debt certificates including bonds, Subordinated liabilities and Other financial liabilities, the breakdown of which at 30 June 2010 and 31 December 2009 is as follows:

(in thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Deposits from central banks	4,798,312	3,131,073	4,798,312	3,131,073
Deposits from credit institutions	14,659,508	21,408,659	14,569,486	20,768,879
Customer deposits	75,084,230	70,665,513	66,281,010	59,557,592
Debt certificates including bonds	18,058,846	19,790,103	26,292,654	30,333,821
Subordinated liabilities	2,603,772	2,543,438	1,857,943	1,820,215
Other financial liabilities	678,925	531,780	1,035,978	837,331
Total	115,883,593	118,070,566	114,835,383	116,448,911

a) The breakdown by instruments of the Deposits from credit institutions is as follows:

(in thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Reciprocal accounts	1,687	32	8	-
Time deposits	5,824,326	8,464,072	5,461,042	7,173,891
Asset repos	7,476,126	11,696,150	7,625,369	11,809,111
Other accounts	1,330,111	1,210,545	1,458,300	1,756,709
Valuation adjustments (+/-)	27,258	37,860	24,767	29,168
Total	14,659,508	21,408,659	14,569,486	20,768,879

b) The breakdown by instruments of the Deposits from other creditors is as follows:

(in thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Current accounts	15,859,546	15,056,178	15,359,943	14,628,197
Savings accounts	5,907,989	5,952,451	6,029,716	6,090,068
Time deposits	43,586,361	42,299,478	35,252,209	31,662,508
Asset repos	8,889,449	6,649,223	8,889,449	6,649,223
Other accounts	330,344	216,989	355,789	258,649
Valuation adjustments (+/-)	510,541	491,194	393,904	268,947
Total	75,084,230	70,665,513	66,281,010	59,557,592

c) The Bonds and other marketable debt securities are broken down as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Commercial paper and bills	5,033,171	8,857,758	5,028,142	8,839,495
Mortgage securities	8,692,800	6,605,300	7,624,081	6,605,300
Debentures & bonds	3,877,900	4,065,994	12,878,515	14,363,188
Valuation adjustments (+/-)	454,975	261,051	761,916	525,838
Total	18,058,846	19,790,103	26,292,654	30,333,821

The item relating to debentures and bonds is mainly composed of euronotes and bonds issued by bond and loan securitisation vehicles.

d) The issues made by special purpose entities, which are classified as subordinated debt, rank, for credit seniority purposes, after all common creditors and are jointly and severally and irrevocably guaranteed by Banco Popular for the principal and interest. They are redeemable from the beginning of the sixth year at the issuer's decision, with authorisation from the central bank of the country of origin of the issue.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Subordinated bonds	2,535,710	2,516,512	594,965	587,120
Shares & preferred shares	-	-	1,205,403	1,218,141
Valuation adjustments (+/-)	68,062	26,926	57,575	14,954
Total	2,603,772	2,543,438	1,857,943	1,820,215

Issues of shares and preferred shares and of subordinated bonds are generally authorised by the Bank of Spain to be classified as first and second tier computable capital, respectively.

e) The breakdown of the balance of the other financial liabilities caption is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Obligations payable	65,578	80,184	393,149	353,996
Guarantee deposits received	2,915	2,932	9,760	8,304
Tax collection accounts	488,720	304,264	501,188	317,355
Special accounts	103,549	127,263	111,578	135,049
Financial guarantees	18,163	16,399	18,200	16,416
Other	-	738	2,103	6,211
Total	678,925	531,780	1,035,978	837,331

5.1.5. Issues, repurchases or redemptions of debt securities:

The breakdown and variation in issues, repurchases or redemptions of debt securities performed in the six-month periods ended 30 June 2010 and 2009 by both Banco Popular Español and other Group companies is as follows:

(thousands of euros)	Balance at 31/12/2009	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate or other adjustments	Balance at 30/06/2010
Debt securities issued in an EU member state requiring filing of a prospectus	56,090,143	6,937,500	11,828,312	-	51,199,331
Debt securities issued in an EU member state not requiring filing of a prospectus	-	-	-	-	-
Other debt securities issued outside an EU member state	27,938	-	-	-	27,938
TOTAL	56,118,081	6,937,500	11,828,312	-	51,227,269

The same information for the immediately preceding comparable period is shown below:

(thousands of euros)	Balance at 31/12/2008	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate or other adjustments	Balance at 30/06/2009
Debt securities issued in an EU member state requiring filing of a prospectus	51,353,199	9,281,300	3,785,751	-	56,848,748
Debt securities issued in an EU member state not requiring filing of a prospectus	-	-	-	-	-
Other debt securities issued outside an EU member state	181,890	-	153,952	-	27,938
TOTAL	51,535,089	9,281,300	3,939,703	-	56,876,686

Of the total issues outstanding, the Group banks were holding bonds on their balance sheets amounting to €23,694,925,000 and €24,504,431,000 at the end of the first halves of 2010 and 2009, respectively, in order to strengthen the second line of liquidity.

The breakdown and variation in the amounts guaranteed by the controlling company or other Group companies in the six-month periods ended 30 June 2010 and 2009 is as follows:

	(thousands of euros)				
ISSUES GUARANTEED:	Balance at 31/12/2009	Guarantees given	(+) (-) Guarantees cancelled	(+/-) Exchange rate or other adjustments	Balance at 30/06/2010
Issues of debt securities guaranteed by the Group (amount guaranteed)	-	-	-	-	-

	(thousands of euros)				
ISSUES GUARANTEED:	Balance at 31/12/2008	Guarantees given	(+) (-) Guarantees cancelled	(+/-) Exchange rate or other adjustments	Balance at 30/06/2009
Issues of debt securities guaranteed by the Group (amount guaranteed)	-	-	-	-	-

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The breakdown and variation in issues, repurchases or redemptions of debt securities performed in the six-month periods ended 30 June 2010 and 2009 on an individual basis by Banco Popular Español is as follows:

(thousands of euros)	Balance at 31/12/2009	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate or other adjustments	Balance at 30/06/2010
Debt securities issued in an EU member state requiring filing of a prospectus	19,529,058	2,087,500	3,824,587	-	17,791,971
Debt securities issued in an EU member state not requiring filing of a prospectus	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	19,529,058	2,087,500	3,824,587	-	17,791,971

The same information for the immediately preceding comparable period is shown below:

(thousands of euros)	Balance at 31/12/2008	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate or other adjustments	Balance at 30/06/2009
Debt securities issued in an EU member state requiring filing of a prospectus	13,714,087	5,957,652	-	-	19,671,739
Debt securities issued in an EU member state not requiring filing of a prospectus	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	13,714,087	5,957,652	-	-	19,671,739

Of the total issues outstanding, Banco Popular Español was holding bonds on its balance sheets amounting to €188,100,000 and €2,770,000 at the end of the first halves of 2010 and 2009, respectively.

The breakdown and variation in the amounts guaranteed by Banco Popular Español in the six-month periods ended 30 June 2010 and 2009 is as follows:

	(thousands of euros)				
ISSUES GUARANTEED:	Balance at 31/12/2009	Guarantees given	(+) (-) Guarantees cancelled	(+/-) Exchange rate or other adjustments	Balance at 30/06/2010
Issues of debt securities guaranteed by the Group (amount guaranteed)	-	-	-	-	-

	(thousands of euros)				
ISSUES GUARANTEED:	Balance at 31/12/2008	Guarantees given	(+) (-) Guarantees cancelled	(+/-) Exchange rate or other adjustments	Balance at 30/06/2009
Issues of debt securities guaranteed by the Group (amount guaranteed)	-	-	-	-	-

GRUPO BANCO POPULAR

The following table details the significant issuance, repurchase or redemption transactions performed during the first half of 2010.

Consolidated

Issuance, redemption or cancellation of debt securities, the issuance or placement of which required a prospectus to be filed with a Competent Authority of the European Union

Thousands of euros	Characteristics of the issuance, redemption or cancellation of debt securities						
	Relationship (2)	Transaction (3)	Type of security (4)	Interest	Maturity & redemption method	Listed on	Guarantees
Issuer (1)	Country of residence domicile	ISIN Code no.	Date	Outstanding balance	rate (5)	(6)	given (7)
Current period							
BPE CED HIPO 2010	D Spain	E ES0413790074	C 09/04/2010	1,000,000	4.125% p.a.	4/9/2018 AIAF	-
BPE FINANCIACIONES	D Spain	E XS0499252715	B 19/04/2010	50,000	EUR3-m increasing	4/19/2012 ISE	BPE guarantee
BPE FINANCIACIONES	D Spain	C ES0357080052	B 26/05/2005	1,000,000	EUR3-m increasing	5/26/2010 AIAF	BPE guarantee
TDA 11	D Spain	C ES0318824002	C 01/06/2010	2,000,000	EUR1-m + 0.10	6/1/2010 AIAF	-
BPE FINANCIACIONES	D Spain	E XS0512835462	C 07/06/2010	300,000	EUR3-m increasing	6/7/2012 ISE	BPE guarantee
BPE CED HIPO 2010	D Spain	E ES0413790082	B 17/06/2010	87,500	4.20% p.a.	6/17/2019 -	-
TDA 19	D Spain	E ES0315945008	C 21/06/2010	1,500,000	2.25% p.a.	2/1/2013 AIAF	-
BPE CED HIPO 2010	D Spain	E ES0413790090	C 22/06/2010	1,000,000	3.25% p.a.	6/22/2015 AIAF	-
IM GBP CED 4	D Spain	C ES0316988007	C 25/06/2010	1,000,000	5.75% p.a.	6/25/2010 AIAF	-
IM BPE MBS 2 FTA (A)	D Spain	E ES0347461008	B 16/03/2010	596,000	EUR3-m+0.3	9/22/2052 AIAF	-
IM BPE MBS 2 FTA (B)	D Spain	E ES0347461016	B 16/03/2011	89,000	EUR3-m+1.5	9/22/2052 AIAF	-
Same period of the previous year							
BPE FINANCIACIONES	D Spain	C ES0357080094	B 10/02/2009			2/10/2009 AIAF	-
BPE FINANCIACIONES	D Spain	C ES0357080110	B 22/05/2009			5/22/2009 AIAF	-
BPE CED HIPO 2009	D Spain	E ES0413790041	C 26/03/2009	1,000,000		3/29/2010 AIAF	-
BPE CED HIPO 2009	D Spain	C ES0413790041	C 28/05/2009		2.50% p.a.	3/29/2010 AIAF	-
BONOS BPE 2009 Serie 1	D Spain	E ES0313790018	B 06/04/2009	566,000		4/6/2011 AIAF	-
BONOS BPE 2009 Serie 2	D Spain	E ES0313790026	B 24/04/2009	2,000,000	Euribor 3-m+0.05	4/24/2012 AIAF	Treasury
CED HIPO BPE	D Spain	E ES0413790058	C 16/06/2009	1,250,000	3% p.a.	6/16/2014 AIAF	-
IM GBP FTPYME 2 FTA	D Spain	C ES0347786008	B 26/01/2009	70,798	4.375% p.a.	6/4/1937 AIAF	-
IM BP FTPYME 1 FTA	D Spain	C ES0347847008	B 26/01/2009	49,516		4/24/1937 AIAF	-
IM GBP EMPRESAS 1 FTA	D Spain	C ES0347843015	B 23/03/2009	55,961		3/21/1933 AIAF	-
IM GBP FTPYME 1 FTA	D Spain	C ES0347844021	B 23/03/2009	22,378		9/21/1939 AIAF	-
IM GBP FTPYME 2 FTA	D Spain	C ES0347786008	B 24/04/2009	80,313		6/4/1937 AIAF	-
IM BP FTPYME 1 FTA	D Spain	C ES0347847008	B 24/04/2009	44,237		4/24/1937 AIAF	-
IM GBP FTPYME 1 FTA	D Spain	C ES0347844021	B 22/06/2009	27,320		9/21/1939 AIAF	-
IM GBP EMPRESAS 1 FTA	D Spain	C ES0347843015	B 22/06/2009	43,174	6.75% quarterly	3/21/1933 AIAF	-
POPULAR CAPITAL -Serie D	D Spain	E ES0170412003	B 30/03/2009	440,227	3% p.a. Preferred	AIAF	BPE guarantee
BONOS BPE	D Spain	E ES0313790000	B 23/02/2009	1,500,000	3.5 % p.a.	12/23/2012 AIAF	Treasury
BPE CED HIPO	D Spain	E ES0413790033	C 17/02/2009	563,800	3.5% p.a.	12/17/2012 AIAF	-
B. ANDALUCIA	D Spain	E ES0413140007	C 17/02/2009	91,500		12/17/2012 AIAF	-
SERIE 87 CAYMAN (*)	D Cayman	E XS0163500019	B 19/02/2009	6		2/19/2023 AIAF	BPE guarantee
SERIE 9 CAYMAN (*)	D Cayman	E FR0000495012	B 23/04/2009	152		4/23/2009 AIAF	BPE guarantee
SERIE 40 CAYMAN (*)	D Cayman	E XS0097655657	B 25/06/2009	15		6/25/2009 AIAF	BPE guarantee

Explanatory notes:

(1) BPE Finance Int. Ltd.

(2) D: Dependent

(4) B: Bonds, C: Covered bonds, P: Commercial paper

(7) BPE guarantee

(3) C: Cancelled, E: New issue, R: Redemptions

(5) E: Euribor, L: Libor, m: Months. Spread in %.

(6) DUB: Dublin.

(*) Negative outstanding balances are equivalent to redemptions.

Individual

Issuance, redemption or cancellation of debt securities, the issuance or placement of which required a prospectus to be filed with a Competent Authority of the European Union.

Issuer (1)	Characteristics of the issuance, redemption or cancellation of debt securities							
	Relationship	Transaction	Type of security	Outstanding balance	Interest rate	Maturity & redemption method	Listed on	Guarantees given
	Country of residence domicile	ISIN Code no.	Date					
Current period								
BPE CED HIPO	D Spain	E ES0413790074	C 09/04/2010	1,000,000	4.125% p.a.	4/9/2018	AIAF	-
BPE CED HIPO	D Spain	E ES0413790082	B 17/06/2010	87,500	4.20% p.a.	6/17/2019	AIAF	-
BPE CED HIPO	D Spain	E ES0413790090	C 22/06/2010	1,000,000	3.25% p.a.	6/22/2015	AIAF	-
Same period of the previous year								
BONOS BPE 2009 Serie 1	D Spain	E ES0313790018	B 06/04/2009	566,000	Euribor 3-m+0.05	4/6/2011	AIAF	-
BONOS BPE 2009 Serie 2	D Spain	E ES0313790026	B 24/04/2009	2,000,000		4/24/2012	AIAF	Treasury
CED HIPO BPE	D Spain	E ES0413790058	C 16/06/2009	1,250,000	3% p.a.	6/16/2014	AIAF	-
BONOS BPE	D Spain	E ES0313790000	B 23/02/2009	1,500,000	3.5 % p.a.	12/23/2012	AIAF	Treasury
BPE CED HIPO	D Spain	E ES0413790033	C 17/02/2009	563,800	3.5% p.a.	12/17/2012	AIAF	-

6. Tangible assets

The following table shows the detail of the book investment in tangible assets net of depreciation and value adjustments for impairment of assets.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
For own use	342,898	372,961	585,888	562,949
IT equipment and installations	45,650	51,098	53,222	60,412
Furniture, vehicles and other installations	191,186	198,124	203,363	209,795
Buildings for own use	105,446	123,122	275,999	235,888
Construction in progress	521	521	8,607	4,091
Other	95	96	59,412	59,358
Value adjustments for impairment of assets (-)	-	-	(14,715)	(6,595)
Property investments	8,558	9,018	1,411,479	1,243,887
Buildings	8,289	8,749	720,627	731,228
Rural land, plots and unbuilt land	269	269	785,991	632,923
Value adjustments for impairment of assets (-)	-	-	(95,139)	(120,264)
Assets assigned under operating leases	-	-	-	-
Tangible assets at amortised cost	-	-	-	-
Value adjustments for impairment of assets (-)	-	-	-	-
Total	351,456	381,979	1,997,367	1,806,836

In 2010, the Group has continued to analyse and negotiate the various offers received regarding the sale of certain properties for own use. In the first half of 2010 this process led to the disposal of properties giving rise to earnings of €141,379,000 (€225,809,000 in the same period of the previous year).

7. Dividends paid

The following table shows the detail of the dividends paid by Banco Popular Español, S.A. in the first six months of 2010 and 2009.

	30/06/2010			30/06/2009		
	% of face value	Euros per share	Amount (thousands of euros)	% of face value	Euros per share	Amount (thousands of euros)
Ordinary shares	80.9	0.08	99,986	201.5	0.20	248,965
Other shares (non-voting, redeemable, etc.)	-	-	-	-	-	-
Total dividends paid	80.9	0.08	99,986	201.5	0.20	248,965
a) Dividends paid out of earnings	80.9	0.08	99,986	201.5	0.20	248,965
b) Dividends paid out of reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

8. Provisions

Provisions are present obligations arising from past events for which, at the balance-sheet date, there is a greater likelihood of the obligation having to be met than not. The breakdown of this caption in the balance sheets at 30 June 2010 and 31 December 2009 was as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Provisions for pensions and similar obligations	122,859	142,582	235,414	249,009
Provisions for taxes	49,037	46,341	49,739	46,834
Provisions for contingent exposures & commitments	148,241	169,410	155,424	176,161
Other provisions	898	898	5,281	4,820
Total	321,035	359,231	445,858	476,824

Lastly, the Group made no material payments arising out of disputes with third parties in the first half of 2010 and 2009.

9. Equity

The consolidated equity of the Banco Popular Group is made up of Minority interests, Valuation adjustments and Own funds. The breakdown and variations in these balance sheet captions were presented at the beginning of this Report in the consolidated Statement of Changes in Equity as of 30 June 2010 and 2009, respectively.

At 30 June 2010 and 31 December 2009, the share capital consisted of 1,333,152,000 fully subscribed and paid-in shares with a face value of €0.10 each. The shares of Banco Popular Español, S.A. are listed on the Spanish stock exchanges and are traded on the continuous market. The Bank's shares are also listed on the Lisbon stock exchange.

10. Contingent exposures

The breakdown of this heading relates to the amounts that the Group would have to pay on behalf of third parties if the obligors do not do so as a result of the commitments undertaken by the Group in the normal course of its business. However, a significant portion of these amounts will reach maturity without any payment obligation materialising for Banco Popular or its consolidated companies, and therefore the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be granted to third parties by the Group.

The income obtained from guarantee instruments is recorded under the "Interest and similar income" and "Fee and commission income" headings of the statements of income (for the amount relating to the fee and commission value adjustment) and is calculated by applying the contractually established rate to the nominal amount of the guarantee.

The provisions recorded to cover the guarantees provided, which have been calculated using similar methods to those used to calculate the impairment of financial assets valued at amortised cost, have been recorded under the "Provisions for contingent exposures and commitments" heading of the balance sheets.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	31/12/2009	30/06/2010	31/12/2009
Financial guarantees	19,332,905	19,947,394	13,023,187	12,207,156
Financial guarantees	17,522,595	18,357,736	11,193,206	10,541,958
Documentary credits	596,739	494,109	616,410	569,649
Other guarantees	1,213,571	1,095,549	1,213,571	1,095,549
Assets earmarked for third-party obligations	217	217	163,831	163,831
Other contingent exposures	1,742,813	1,828,543	1,643,341	1,718,628
Total	21,075,935	21,776,154	14,830,359	14,089,615

INCOME STATEMENT**11. Interest and similar income**

This caption consists of the interest and commission and fee income, determined by applying the effective interest rate method to the assets valued at amortised cost and the corrections of income as a result of the accounting hedges.

The following table gives the breakdown of this income in the first halves of 2010 and 2009.

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(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Central banks	6,501	10,159	6,977	11,833
Credit Institutions	35,522	160,785	8,887	37,818
Loans and receivables	1,725,571	2,015,876	1,860,168	2,621,617
Debt securities	227,142	177,788	180,407	85,092
Allocable to pension-linked insurance contracts & similar items	738	1,000	3,785	3,661
Other	1,400	1,829	2,770	5,250
Total	1,996,874	2,367,437	2,062,994	2,765,271

12. Interest expense and similar charges

This caption records the interest and commission and fee costs incurred, determined by applying the effective interest method to all financial liabilities valued at amortised cost and the cost corrections as a result of accounting hedges.

The following table gives the breakdown of these costs in the first halves of 2010 and 2009.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Central banks	19,157	13,626	19,157	14,284
Credit institutions	76,746	174,317	71,293	131,528
Customer funds	574,697	833,685	428,292	648,851
Debt certificates including bonds	157,769	282,647	218,532	512,652
Subordinated liabilities	49,922	30,797	26,953	30,106
Allocable to pension provision and similar items	1,894	1,822	4,823	4,645
Other	78	-	7,972	6,000
Total	880,263	1,336,894	777,022	1,348,066

13. Fees and commissions

a) Fee and commission income

The non-financial service fee income obtained from the provision of services for the Group, broken down by nature, for the six-month periods ended 30 June 2010 and 2009, was as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Provision of contingent exposures and commitments	56,015	50,157	58,690	58,901
Loan-related fees	45,674	53,821	48,191	66,437
Collection and payment handling	114,821	102,914	132,569	136,797
Foreign currency purchase and sale	1,355	1,105	1,431	1,390
Securities purchase and sale	11,558	13,495	16,467	19,218
Customer securities portfolio management	47,559	39,834	64,606	65,838
Administration of demand & savings deposits	47,336	36,385	49,427	47,179
Other	70,225	52,369	62,596	51,561
Total	394,543	350,080	433,977	447,321

b) Fee and commission expense

The detail of the non-financial fee and commission expense incurred by the Group in the same periods is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Provision of contingent exposures and commitments	59	180	197	279
Loan-related fees	1,683	1,672	1,918	2,078
Collection and payment handling	41,153	35,897	45,181	44,610
Foreign currency purchase and sale	-	-	-	-
Securities purchase and sale	2	18	1,066	616
Customer securities portfolio management	-	-	-	-
Administration of demand & savings deposits	-	-	-	-
Other	9,552	7,787	9,853	10,618
Total	52,449	45,554	58,215	58,201

14. Gains or losses on financial assets and liabilities

This caption in the statement of income includes basically the amount of the valuation adjustments of financial instruments with contra-item in profit and loss and the results obtained on disposal thereof, except those relating to results generated by transactions involving the securities of the Group itself and the dependent and jointly-controlled companies and associates and treasury shares.

The following table shows the itemised detail of this income statement line in the first halves of 2010 and 2009.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Financial instruments not valued at fair value				
through profit or loss	12,825	76,073	22,971	184,314
Held for trading	17,977	2,076	44,968	11,937
Other financial instruments at fair value				
through profit or loss	-	-	(1,238)	(9)
Accounting hedges & other	(893)	1,053	(5,603)	(15,388)
Total	29,909	79,202	61,098	180,854

15. Other operating income

This caption includes the income from insurance and reinsurance contracts issued, the sales and income for provision of non-financial services and other operating activities not included in other items, as broken down in the following table.

The compensating financial fees item reflects the compensation of direct costs in asset transactions which the Group would not have incurred had it not carried out these transactions.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Income from insurance and reinsurance contracts issued	-	-	98,650	84,391
Sales and income from provision of non-financial services	-	-	22,912	21,761
Other operating income	47,081	23,233	54,881	33,472
Operating income from property investments	480	625	5,971	4,275
Income from other operating lease transactions	983	762	999	774
Financial fees compensating direct costs	20,224	18,969	20,539	22,664
Expenses capitalised	-	-	-	-
Other items	25,394	2,877	27,372	5,759
Total	47,081	23,233	176,443	139,624

16. Other operating expenses

This caption includes insurance and reinsurance contract expenses, the cost of sales of the non-financial companies and the expenses for other operating activities not included under other items, as broken down in the following table.

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Insurance and reinsurance contract expenses	-	-	84,144	74,079
Cost of sales	-	-	13,164	13,149
Other operating expenses	22,708	12,012	31,244	19,483
Property investments operating expenses	164	227	4,477	1,966
Contribution to guarantee funds	11,330	8,883	13,398	12,101
Directors' fees	-	-	-	-
Other items	11,214	2,902	13,369	5,416
Total	22,708	12,012	128,552	106,711

17. Personnel expenses

This line in the income statement reflects all the remuneration of permanent or temporary staff, regardless of their function or activity, earned during the year, including the current service cost of pension plans and net of the amounts refunded by the social security system or other social welfare entities. The detail is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Salaries and bonuses to serving personnel	239,504	208,691	289,040	294,444
Social Security taxes	60,623	53,789	68,396	69,882
Allocation to internal pension provision	-	-	2,841	2,808
Contributions to external pension plans	10,580	8,573	10,637	9,665
Employee termination expenses	2,575	1,824	3,466	2,327
Training expenses	869	966	1,230	1,325
Remuneration tied to equity instruments	-	-	-	-
Other personnel expenses	7,089	6,092	9,222	8,625
Total	321,240	279,935	384,832	389,076

18. Average workforce

The breakdown of the average workforce of Banco Popular Español and the consolidated Group for the six-month periods ended 30 June 2010 and 2009 is as follows:

	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
AVERAGE WORKFORCE	11,593	10,417	14,395	14,932
Men	8,052	7,317	9,746	10,198
Women	3,541	3,100	4,649	4,734

19. Other general administrative expenses

This caption reflects the other administrative expenses of Banco Popular and the Group, including the levies and taxes on its activities, the breakdown of which is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
On property, installations and supplies:	60,344	39,070	72,781	55,825
Rent	42,502	24,952	47,930	33,209
Property upkeep	10,568	7,607	15,708	13,292
Utilities	4,698	4,115	5,791	5,793
Stationery & office supplies	2,576	2,396	3,352	3,531
Information technology	22,264	19,432	22,414	26,896
Communications	7,830	7,574	12,333	12,134
Advertising and publicity	9,992	9,848	12,560	14,621
Legal expenses and attorneys' fees	888	730	1,665	2,012
Technical reports	3,321	4,264	10,257	9,099
Security and fund transport services	6,534	6,517	8,030	8,834
Insurance premiums and self-insurance	1,183	966	2,421	2,215
Governance and control bodies	1	-	55	49
Representation & travel expenses	3,550	3,119	4,941	5,023
Association dues	1,587	1,996	1,742	2,481
Outsourced administrative services	10,829	8,902	15,113	12,652
Levies & taxes	22,667	18,191	26,042	24,487
Contributions to welfare foundations	6,713	6,713	6,761	8,419
Other expenses	10	1,112	6,085	4,872
Total	157,713	128,434	203,200	189,619

20. Depreciation and amortisation

This line includes the amounts charged to the income statement in the first halves of 2010 and 2009 for depreciation and amortisation calculated for each asset category on the basis of their estimated useful lives, and is broken down as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Tangible assets:	27,237	28,085	34,519	38,386
For own use:	27,136	27,957	31,932	35,733
IT equipment and installations	11,387	11,678	12,139	13,500
Furniture, vehicles and other installations	14,685	14,239	17,168	18,618
Buildings	1,064	2,040	2,625	3,615
Other	-	-	-	-
Property investments	101	128	2,587	2,633
Other assets assigned under operating leases	-	-	-	20
Intangible assets	9,340	8,958	13,163	12,673
Total	36,577	37,043	47,682	51,059

21. Provisioning expenses (net)

This caption includes the period provisions, net of recoveries of amounts provisioned in prior years, to the various allowances except for the provisions or contributions to pension allowances that constitute period personnel expenses.

The breakdown of this caption is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Provisions to pension allowances	(1,797)	(2,469)	(1,799)	(2,960)
Provisions for taxes	1,690	2,246	1,677	2,452
Provisions for contingent exposures & commitments:	(24,610)	(16,471)	(24,178)	(19,017)
Other provisions	1,088	2,653	1,332	3,646
Total	(23,629)	(14,041)	(22,968)	(15,879)

22. Asset impairment losses

22.1 Financial asset impairment losses

The detail of the financial asset impairment losses, net of recoveries, is as follows:

(thousands of euros)	Banco Popular Español		Consolidated	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Loans and receivables	583,521	548,346	609,639	708,179
Other financial instruments	31,160	113,175	32,639	113,201
Total	614,681	661,521	642,278	821,380

22.2 Other assets

The Group recorded impairment losses on non-financial assets of €25,946,000 compared with €52,872,000 in the same period of the previous year due mainly to amortisations of goodwill and net provisions for the impairment of tangible assets and inventories.

Losses were also recorded on non-current assets held for sale amounting to €162,210,000, compared with €160,997,000 in the same period of the previous year.

23. Remuneration of the Directors and Senior Management

The following table shows the remuneration received by the Bank's directors as a whole, in their capacity as members of the Board of Directors, broken down by headings, for the six-month periods ended 30 June 2010 and 2009:

(thousands of euros)	Banco Popular Español	
	30/06/2010	30/06/2009
Heading:		
Fixed remuneration	649	961
Variable remuneration	-	-
Per diems	-	-
Directors' fees	-	-
Share &/or other financial instrument transactions	-	-
Other	2	4
TOTAL	651	965
Other benefits:		
Advances	-	-
Loans granted	-	-
Pension plans and funds: Contributions	611	3,026
Pension plans and funds: Commitments incurred	18,107	28,089
Life insurance premiums	6	15
Guarantees provided for Directors	-	-
TOTAL	18,724	31,130
Total remuneration received by managers	1,267	1,585

24. Transactions with related parties

In addition to the information presented above relating to the remuneration of the Directors and Senior Management, the following table gives the balances recorded in the financial statements for the six-month period ended 30 June 2010 arising from transactions with related parties, pursuant to section 3 of Order EHA/3050/2004, of 15 September 2004.

As can be seen, there are no material transactions to be reported. All of the transactions performed with significant shareholders, directors and managers form part of the ordinary course of the Group's business and are carried out at arm's length. Transactions with Group companies were carried out at market rates and eliminated in the process of consolidation.

	Thousands of euros				
	Significant shareholders	Directors and Executives	Group individuals or companies	Other related parties	Total
EXPENSES & INCOME					
1) Financial expenses	-	-	-	-	-
2) Management or collaboration agreements	-	-	-	-	-
3) R&D transfers and licence agreements	-	-	-	-	-
4) Leasing	-	-	-	-	-
5) Services received	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Value adjustments for uncollectible or doubtfully collectible debts	-	-	-	-	-
8) Losses on the write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	-	-	-	-	-
10) Financial income	-	-	-	-	-
11) Management or collaboration agreements	-	-	-	-	-
12) R&D transfers and licence agreements	-	-	-	-	-
13) Dividends received	-	-	-	-	-
14) Leasing	-	-	-	-	-
15) Provision of services	-	-	-	-	-
16) Sale of goods (finished or in progress)	-	-	-	-	-
17) Gains on the write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	-	-	-	-	-

	Thousands of euros				
	Significant shareholders	Directors and Executives	Group individuals or companies	Other related parties	Total
OTHER TRANSACTIONS					
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	-	-	-
Finance lease agreements (lessor)	-	-	-	-	-
Redemption or cancellation of loans and lease agreements (lessor)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	-	-	-	-	-
Finance lease agreements (lessee)	-	-	-	-	-
Redemption or cancellation of loans and lease agreements (lessee)	-	-	-	-	-
Payment bonds and guarantees provided	-	-	-	-	-
Payment bonds and guarantees received	-	-	-	-	-
Commitments incurred	-	-	-	-	-
Commitments/Guarantees cancelled	-	-	-	-	-
Dividends and other earnings distributed	-	-	-	-	-
Other transactions	-	-	-	-	-

The comparative information for the same period of the previous year is set forth below.

	Thousands of euros				
	Significant shareholders	Directors and Executives	Group individuals or companies	Other related parties	Total
EXPENSES & INCOME					
1) Financial expenses	-	-	-	-	-
2) Management or collaboration agreements	-	-	-	-	-
3) R&D transfers and licence agreements	-	-	-	-	-
4) Leasing	-	-	-	-	-
5) Services received	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Value adjustments for uncollectible or doubtfully collectible	-	-	-	-	-
8) Losses on the write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	-	-	-	-	-
10) Financial income	-	-	-	-	-
11) Management or collaboration agreements	-	-	-	-	-
12) R&D transfers and licence agreements	-	-	-	-	-
13) Dividends received	-	-	-	-	-
14) Leasing	-	-	-	-	-
15) Provision of services	-	-	-	-	-
16) Sale of goods (finished or in progress)	-	-	-	-	-
17) Gains on the write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	-	-	-	-	-

	Thousands of euros				
	Significant shareholders	Directors and Executives	Group individuals or companies	Other related parties	Total
OTHER TRANSACTIONS					
Purchase of tangible, intangible or other assets	-	-	-	-	-
Financing agreements: loans and capital contributions (lender)	-	-	-	-	-
Finance lease agreements (lessor)	-	-	-	-	-
Redemption or cancellation of loans and lease agreements (lessor)	-	-	-	-	-
Sale of tangible, intangible or other assets	-	-	-	-	-
Financing agreements loans and capital contributions (borrower)	-	-	-	-	-
Finance lease agreements (lessee)	-	-	-	-	-
Redemption or cancellation of loans and lease agreements (lessee)	-	-	-	-	-
Payment bonds and guarantees provided	-	-	-	-	-
Payment bonds and guarantees received	-	-	-	-	-
Commitments incurred	-	-	-	-	-
Commitments/Guarantees cancelled	-	-	-	-	-
Dividends and other earnings distributed	-	-	-	-	-
Other transactions	-	-	-	-	-

25. Post-balance sheet events

The Bank of Spain published Circular 3/2010, of 29 June 2010, to credit institutions, amending Circular 4/2004 of 22 December 2004 on "Public and private financial reporting standards and financial statement formats for credit institutions", to provide institutions with good practice guidance on estimating minimum levels of credit risk coverage and ensuring coverage of any estimated loss associated with doubtful loans.

This Circular, which will enter into force on 30 September 2010, introduces ex ante principles for risk management, a new method for estimating the coverage requirements for assets classified as doubtful due to customer arrears, new consideration of *in rem* guarantees securing the payment of doubtful financial assets, and regulation of real estate assets acquired due to foreclosure or in payment of debts.

The Bank is implementing a transition plan to adapt to Circular 3/2010 which includes evaluating the changes that need to be made to the procedures and information systems and analysing the new coverages applicable to doubtful assets and real estate assets acquired due to foreclosure or in payment of debts. However, at the date of preparation of these interim financial statements sufficient information was not yet available to make it possible to estimate the results of this analysis with reasonable objectivity.

The agreement signed with Crédit Mutuel-CIC ("Crédit Mutuel") to set up a new banking platform that will be jointly controlled, with each partner holding a 50% stake, is expected to take effect in the second half of 2010. For the beginning of this new phase, Banco Popular will make a non-cash contribution by transferring a total of 123 branch offices of the current Banco Popular network to the new bank. The branches contributed are concentrated in areas where there is a high level of economic activity focused on business with private individuals and SMEs, faithful to the business model of Banco Popular and sharing the strengths of the two shareholders: the relationship banking of Banco Popular and the transaction banking of Crédit Mutuel. The new bank will benefit from the technological support and the services of Banco Popular.

This is a strategic alliance that will develop an important partnership in commercial, technological and international business aspects, in which Banco Popular and Crédit Mutuel have outstanding and complementary track records. Crédit Mutuel is also contributing its experience and customer base resulting from its presence in the markets of France and Germany that are both major trading partners of Spain.

In return for its stake in the new bank, Crédit Mutuel will invest €312 million, making the new bank worth €625 million, with own funds of €258 million.

Lastly, as part of the agreement, Crédit Mutuel will strengthen its commitment by taking a 5% stake in Banco Popular, which will make it one of the Bank's primary shareholders. This operation completes the Banco Popular Group's branch network rationalisation process, after the integration of the banking subsidiaries that was begun in 2008.

INTERIM MANAGEMENT REPORT

SIGNIFICANT EVENTS IN THE PERIOD

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

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

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

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

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

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

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

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

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

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

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

The pre-provisions net operating profit of €1,169 million was 17.5% below that for the same period of 2009 but much higher, in relative and absolute terms, than that of the other medium-sized banks in Spain, thanks to Banco Popular's higher profitability and greater efficiency. The efficiency ratio stood at 32.58% and yet again was the best in the Spanish financial system and one of the best in Europe. In terms of net operating profit as a ratio of gross lending to customers,

Banco Popular was also the most profitable bank in the Spanish financial sector with a ratio of 2.58%. This sign of identity endows the Bank with great strength especially in an environment like that currently prevailing since it permits the ample booking of provisions for risk coverage.

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

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

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

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

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

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

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

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

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

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

MARKET PERFORMANCE OF THE BANK'S SHARES

At 30 June 2010, the share capital of Banco Popular Español was represented by 1,333,151,690 ordinary shares with a face value of €0.10 each. Banco Popular shares are included in the Madrid Stock Exchange general index, with a weighting of 1.84% of the total and in the Ibex-35 index, with a weighting of 1.79%.

The share price at the end of the first half of 2010 was €4.207, a decrease of 17.99% since December 2009. This drop compares with a fall of 23.67% in the principal euro area banks (Euro Stoxx Banks index) and of 22.42% in the Ibex-35 index.

During the first half of 2010 Banco Popular shares performed comparatively slightly better than the market and than both the domestic and European banking sectors. Banco Popular shares reached their closing high of the period on 14 April 2010 at €5.997. In May and June there was increased sensitivity in the sector to the changes in the perception of country risk in Spain and to the measures taken by the Bank of Spain and the Government regarding the changes in the treatment of provisions and property, the budget adjustment plan and the government forecasts on the main Spanish macro aggregates. As a result Banco Popular shares fell on 8 June 2010 to their six-month low of €3.811.

At the end of June 2010, the price of Banco Popular shares gave a multiple of 8.29 times the attributable profit for the year (P/E) and was 0.70 times the share book value.

RISK MANAGEMENT

The deterioration of the economic situation led to an upturn in the non-performing ratio to 5.04% at 30 June 2010. However, the control of risk quality and the emphasis on recovery of doubtful balances kept the ratio at controlled levels. The coverage ratio was 49.20% and the write-offs represented 0.39% of the total risks.

The table below presents the main risk management data. The figures include doubtful off-balance sheet risks, country risk and the related country risk allowance.

	30/06/2010	30/06/2009	Amount variation	% variation
Non-performing loans				
Balance at 1 January.....	5,511,516	3,042,612	2,468,904	81.1
Additions	2,151,762	4,165,406	(2,013,644)	(48.3)
Recoveries	1,275,531	1,782,224	(506,693)	(28.4)
Other variations	-	-	-	>
Net change	876,231	2,383,182	(1,506,951)	(63.2)
% increase	15.9	78.3		
Write-offs	(463,314)	(537,774)	74,460	(13.9)
Balance at 30 June	5,924,433	4,888,020	1,036,413	21.2
Allowance for credit losses				
Balance at 1 January	2,770,486	2,221,092	548,584	24.7
Annual provision:				
Gross	1,560,043	1,367,225	192,818	14.1
Recoveries	(970,207)	(763,478)	(206,729)	27.1
Net	589,836	603,747	(13,911)	(2.3)
Other variations	(52,578)	(98,651)	46,073	(46.7)
Write-offs.....	(393,074)	(425,451)	32,377	(7.6)
Balance at 30 June	2,914,670	2,301,547	613,123	26.6
<i>Memorandum items:</i>				
Total risks	117,528,351	111,265,321	6,263,030	5.6
Loans transferred to suspense accounts	1,795,669	1,207,544	588,125	>
Risk quality measures (%)				
Non-performance (Non-performing loans/Total risks)	5.04	4.39	0.65	
Insolvency (Write-offs/Total risks)	0.39	0.48	-0.09	
Coverage: (Credit loss allowance/Non-performing loans)	49.20	47.09	2.11	

