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Quarterly report

april may june

Highlights

	30.06.09	30.06.08	Var. %
(Amounts in € thousand)			
Business volume			
Total assets managed	131,850,258	124,132,758	6.2
On-balance sheet total assets	118,999,821	108,928,332	9.2
Own funds	7,024,156	6,596,067	6.5
Adjusted customer deposits	54,650,473	43,392,689	25.9
Lending to customers (gross)	96,134,690	91,093,104	5.5
Solvency			
Core capital(%)	7.37	6.67	
Tier 1 (%)	8.68	8.07	
Risk management			
Total risks	111,265,321	103,560,358	7.4
Non-performing loans	4,888,020	1,468,611	>
Allowances for credit losses	2,301,547	2,037,175	13.0
% nonperforming ratio	4.39	1.42	
% coverage (Credit loss allowance/Nonperforming loans)	47.09	138.71	
Earnings			
Net interest income	1,417,205	1,254,169	13.0
Gross income	2,047,059	1,831,194	11.8
Profit before provisions	1,417,305	1,194,955	18.6
Profit before tax	622,986	912,936	(31.8)
Consolidated profit for the year	451,133	715,600	(37.0)
Profit attributed to the Group	442,586	677,531	(34.7)
Net return and efficiency			
Average total assets	112,018,792	105,027,566	6.7
Average total equity	6,567,545	5,915,823	11.0
ROA (%)	0.81	1.36	
ROE (%)	13.48	22.91	
Operating efficiency (%) (*)	28.27	31.90	
Per share data			
Final number of shares (thousands)	1,235,741	1,215,433	1.7
Average number of shares (thousands)	1,214,076	1,214,709	(0.1)
Share closing market price (€)	6.21	8.79	(29.4)
Market capitalization	7,673,952	10,683,656	(28.2)
Share book value (€)	5.68	5.43	4.6
Net earnings per share (€)	0.365	0.558	(34.6)
Dividend per share paid in the period (€)	0.2035	0.2456	(17.1)
Price/Book value	1.09	1.62	
Price/Earnings (annualized)	8.51	7.88	
Other data			
Shareholders	126,819	121,267	4.6
Employees	14,829	15,419	(3.8)
Spain	13,092	13,706	(4.5)
Men	9,005	9,430	(4.5)
Women	4,087	4,276	(4.4)
Abroad	1,737	1,713	1.4
Men	1,129	1,132	(0.3)
Women	608	581	4.6
Branches	2,386	2,509	(4.9)
Spain	2,137	2,262	(5.5)
Abroad	249	247	0.8
Mundocredit branches	59	59	-
ATMs	3,220	3,439	(6.4)

*The Group's consolidated financial statements at 30 June 2009 included herein have been audited and were prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The regulatory changes introduced in 2009 did not affect the comparability of the financial information for preceding periods published in this Report.

Salient aspects

The figures for the second quarter bring renewed confirmation of the strength of the Bank's income statement, with growth of almost 19% in the pre-provision operating profit and a marked slowdown in net additions to delinquent balances of nearly 50%. As a result of these two favourable aspects the recurring profit of €540 million was up by 8.7% year on year. The strength of these results meant that it was once again possible to apply the conservative criteria announced at the start of the year and book substantial precautionary provisions

The strengthening of the Bank, in mid-crisis, is also confirmed in balance sheet terms with the sharp decline in dependence on foreign markets as a result of a strong 28% increase in the attraction of customer deposits, leading to a reduction in the commercial gap - the funding of loans with retail or commercial liabilities - of more than €9,000 million.

The sustained 25 basis points improvement in the capital ratio in the first half confirms Banco Popular's position as the best capitalised bank out of the main European and North American banks, in terms of tangible equity.

The very notable 5.5% growth in lending over the figure at the end of June 2008 and the €35,000 million of new loans in the last twelve months evidence the strength of the traditional business of the Bank and of its intention to continue supporting its customers. This growth, basically focused on SMEs and private individuals, was the outcome of the Group's policy to make use of its financial strength to gain market share, which was up by 6 basis points to 4.53% in the sector at the end of March 2009 per the latest available data.

Moreover, the Group is the third most active institution in ICO loans despite being fifth in size, with a market share of 8.76%, almost twice its share in loans.

The growth in lending was made possible by the Bank's strong liquidity and solvency that increases from quarter to quarter as a result of the organic generation of capital. Noteworthy in this connection is the fact that Banco Popular has the highest core capital ratio in Spain, which stood at 7.4% at the end of June 2009 - 20 basis points more than at 2008 year end and the highest ratio of tangible equity to total tangible assets in Europe. At the end of June 2009, Banco Popular's Tier 1 capital stood at 8.68% and the BIS II ratio at 9.30%.

As indicated above, despite the strong competition, the Group attracted €12,000 million in customer deposits, a growth of 27.9% over June 2008. As a result of this growth, the Bank's market share in retail liabilities rose by 48 basis points in the last twelve months to 4.61% at the end of March 2009 (latest available figures).

The growth in the business made it possible to generate gross operating income of €2,047 million, an increase of 11.8%. The pre-provision earnings were up by 18.6% as a result of the growth in income and the energetic containment of costs, a traditional feature of the Banco Popular Group. In consequence, Banco Popular reached a new record in the efficiency ratio putting it even further ahead of its competitors with a ratio of 28.3%, an improvement of 3.63 percentage points in the last twelve months.

A more detailed analysis of income highlights the strong 13% growth in net interest income. This improvement was the result of the positive evolution of the business, the broadening of the margins with customers for credit transactions, thus efficiently transferring the higher cost of retail and wholesale liabilities, and of an appropriate balance sheet structure positioned to profit from the recent fall in rates. All these effects made possible a year-on-year increase of 14 basis points in the net interest margin to 2.53%. Banco Popular continued to rank first in this ratio in Spain at a distance of 22 basis points from its most profitable competitor (comparing data at March 2009, the latest available figures).

Noteworthy is the Group's ability to generate recurring income and earnings in an environment like that presently prevailing. To this should be added the Bank's proven experience for managing its costs, which were 1% lower than in the first half of 2008 as a result of the foresighted start of a process to re-dimension its commercial network. In the first half of 2009, 118 outlets were closed by merger and transfer of their staff to the nearest branch offices to enhance the service to customers.

As regards borrower delinquency, it should be noted that although the non-performing ratio rose by 57 basis points in the quarter to 4.39%, as compared with the average of 4.60% for Spanish banks and savings banks in May 2009 (latest available data), there was a deceleration of the negative trend, since in the first quarter of 2009 this ratio increased by 102 basis points.

Apart from the improvement in the addition of troubled balances, the Bank significantly enhanced its recovery capability, with recoveries representing 38.3% of gross additions in the first quarter and 49.1% in the second quarter. This improvement was due to the effort by the Bank to implement a solid troubled and delinquent risk management structure completely segregated from the commercial structure and staffed by over 300 full-time professional personnel.

The provisions booked amounted to €708 million, of which €148.5 million related to sectorial provisions not specifically assigned to delinquent loans. A provision of €214 million was also booked for the possible impairment of properties. These two provisions totalling €362 million were responsive to the prudence with which the Bank manages non-performing balances, taking early action as far as possible against future additions.

To offset this additional prudential charge, the Group realised capital gains of €225 million on the sale of properties. Extraordinary income was therefore in line with extraordinary expenses.

As regards provisions for impairment of loans and receivables, attention should be paid to the voluntary slowdown in use of the general allowance, which started in the second quarter of 2009. In the second quarter of 2009, €69.4 million were released from the general allowance, compared with €180.2 million in the first quarter.

At 30 June 2009 the Bank had €2,302 million of allowances and a coverage ratio of 47.1%, much higher than the expected loss. Additionally, the Bank's strong capability for generating recurring income is the best insurance against any unexpected increase in impairment losses. In this respect, it is noteworthy that the risk premium excluding sectorial provisions rose from 1.05% in the first half of 2008 to 1.24% in the same period of 2009. Thus, the net operating profit represented 3.15% of average loans and receivables in 2009 and 2.71% in 2008.

The Bank ended the first half of 2009 with a net attributed profit of €443 million, which was 34.7% lower than for the same period in 2008. Excluding extraordinary income and expenses, the Bank's profit at the end of the second quarter amounted to €540 million, as compared with €497 million for the first half of 2008, signifying growth of 8.7%.

For upcoming quarters, Banco Popular expects to maintain the strength of its recurring income. It also expects a sharper slowdown in additions to non-performing balances based on the trend in the second quarter and the positive evolution of defaults of non-delinquent customers, which fell by nearly 25% from December and displays a clear downward trend. This slowdown in delinquency in a still weak economic environment but with expectations of improvement and the possibility of generating extraordinary income make it possible to face the rest of this year with prudent optimism and with a renewed effort to assist the Bank's customers in this highly adverse cycle of the economy.

Balance Sheet

(Amounts in € thousand)

	30.06.09	31.12.08	30.06.08	% variation	
				6 moths	12 moths
Assets					
Cash and balances with central banks	1,739,692	1,859,577	2,077,235	(6.4)	(16.2)
Financial assets held for trading	1,518,556	1,334,199	744,761	13.8	>
Other financial assets at fair value through profit or loss	368,450	336,666	457,160	9.4	(19.4)
Available-for-sale financial assets	7,870,819	3,760,410	5,277,691	>	49.1
Loans and receivables	99,821,055	96,606,802	97,249,931	3.3	2.6
Loans and advances to other debtors	94,226,385	91,701,521	89,446,659	2.8	5.3
Other loans and receivables	5,594,670	4,905,281	7,803,272	14.1	(28.3)
Held-to-maturity investments	550,113	34,854	362	>	>
Hedging derivatives	939,363	992,626	174,455	(5.4)	>
Non-current assets held for sale	2,278,083	1,660,596	512,621	37.2	>
Investments	27,080	32,151	19,342	(15.8)	40.0
Insurance contracts linked to pensions	178,437	182,368	195,608	(2.2)	(8.8)
Reinsurance assets	6,617	5,566	5,432	18.9	21.8
Tangible assets	1,711,320	1,355,443	699,656	26.3	>
Intangible assets	530,567	546,576	517,740	(2.9)	2.5
Tax assets	676,774	827,306	680,566	(18.2)	(0.6)
Other assets	782,895	840,911	315,772	(6.9)	>
Total Assets	118,999,821	110,376,051	108,928,332	7.8	9.2
Liabilities					
Financial liabilities held for trading	1,803,763	1,729,742	785,776	4.3	>
Other financial liabilities at fair value through profit or loss	98,475	134,520	258,345	(26.8)	(61.9)
Financial liabilities at amortised cost:	106,774,137	98,957,138	97,465,830	7.9	9.6
Deposits from credit institutions	16,634,810	14,263,878	13,253,058	16.6	25.5
Deposits from other creditors	54,941,006	51,665,410	42,971,081	6.3	27.9
Debt certificates including bonds	32,105,549	30,208,172	38,247,311	6.3	(16.1)
Subordinated liabilities	1,981,923	1,616,757	1,754,105	22.6	13.0
Other financial liabilities	1,110,849	1,202,921	1,240,275	(7.7)	(10.4)
Hedging derivatives	132,436	414,217	1,224,828	(68.0)	(89.2)
Insurance contract liabilities	1,021,610	931,865	825,531	9.6	23.8
Provisions for contingent exposures	490,554	474,463	448,490	3.4	9.4
Tax liabilities	374,295	185,717	506,978	>	(26.2)
Other liabilities	983,602	490,733	431,354	>	>
Total liabilities	111,678,872	103,318,395	101,947,132	8.1	9.5
Equity					
Own funds	7,024,156	6,734,394	6,596,067	4.3	6.5
Capital, reserves and retained earnings	6,581,570	5,989,597	5,918,536	9.9	11.2
Profit or loss for the period	442,586	1,052,072	677,531		(34.7)
Dividends paid and declared	-	(307,275)	-		
Valuation adjustments	23,266	30,770	(30,422)	(24.4)	
Minority interests	273,527	292,492	415,555	(6.5)	(34.2)
Total equity	7,320,949	7,057,656	6,981,200	3.7	4.9
Total liabilities and equity	118,999,821	110,376,051	108,928,332	7.8	9.2

Business Performance

In a sharply deteriorated economic environment as described earlier, the Group is betting on coming out of the crisis fortified, because of its strong competitive position based on excellent solvency and business ratios.

Thus, at 30 June 2009 Banco Popular had a core capital ratio of 7.37%, 14 basis points higher than that of the first quarter of 2009 and 20 basis points higher than at the end of 2008. Also, Tier 1 funds stood at 8.68%, 56 basis points higher than the December figure. Once again the Group is much higher than the average for the banking sector in Spain and is the bank with the best core capital ratio in Spain, based on the sector data at the end of the first quarter, which are the latest available. Moreover, Banco Popular has the best ratio in Europe of tangible equity as a percentage of total tangible assets.

The solvency as described above and the liquidity of €11,500 million that covers the maturities of all the wholesale funding in the next twelve months, at least in the extreme hypothesis of no renewal, are the pillars supporting the maintenance of intensive commercial activity to guarantee ongoing growth of the balance sheet.

Noteworthy was the 5.5% growth in lending to customers compared with June 2008, despite expected shrinkage of GDP in the year of more than 3%. During the first half of 2009 Banco Popular has granted or renewed loans of over €35,000 million, maintaining its focus on credit to SMEs and mortgages for private individuals.

Additionally, Banco Popular's share of 8.76% in volume of ICO-line credits, per AEB data at 26 June 2009, almost double its market share in loans, places it third among all Spanish banks in this respect.

As regards the quality of the portfolio, the non-performing ratio at the end of the second quarter was 4.39%, which compares favourably with the average of 4.60% for banks and savings banks for the month of May 2009, the most recent available figure.

Particularly notable was the slowdown in additions to non-performing balances in the second quarter as compared with the first. Whereas in the first quarter net additions amounted to €1,502 million, in the second quarter the figure was €882 million, a significant 41.3% lower. It is important to note that this reduction in net additions was the consequence not only of strong recovery capability – second quarter recoveries represented 49.1% of additions compared with 38.3% in the first quarter – but also of a sharp shrinkage of gross additions before recoveries in the quarter for the first time since the start of the crisis – gross additions in the second quarter amounted to €1,731 million compared with €2,434 million in the first quarter. This success in recoveries was due to the structure that the Bank has implemented to help customers in difficulties and anticipate the curve.

A reflection of the foregoing was the lower, by 57 basis points, growth of the non-performing ratio in the second quarter compared with the first, as compared in turn with the growth of 102 basis points in the first quarter with respect to the fourth quarter of 2008.

As regards the coverage of these impaired loans, the Group had provisions in excess of €2,300 million, which was higher than that at the end of the first quarter and was influenced by the lower release from the general allowance of €110 million in this period as compared with the preceding one; the resulting coverage ratio was 47.1%, much higher than that of the expected loss.

On the liability side, the Group continues to pursue its objective of strong growth in retail funds in order to maintain the trend initiated in the previous year of reducing the commercial gap and consequently strengthening its financial structure. Thus, customer funds not including assets repos grew by €12,000 million with respect to the end of the first half of 2008, a very significant increase of 27.9%, fundamentally based on the growth in time deposits. Including asset repos, the growth would have been 39.5%.

The higher level of deposit attraction, above the growth of lending to customers, made it possible to again improve the Bank's commercial gap by €9,309 million since June 2008.

These strong growths enabled the Group to gain market share both in lending and in deposits. Thus, the market share in lending rose from 4.47% in March 2008 to 4.53% in March 2009, the latest available figure. As regards customer deposits, the share rose in the same period from 4.13% to 4.61%. Additionally, the Group significantly increased its customer base, both in the private individuals segment – with 27,292 new customers in the first half of 2009 – and in the business segment, with 11,614 new companies, maintaining its focus on SMEs and private individuals.

Funds Managed

(Amounts in € thousand)

	30.06.09	31.12.08	30.06.08	% variation	
				6 moths	12 moths
Unadjusted customer deposits	54,650,473	51,494,503	43,392,689	6.1	25.9
General government	6,309,619	6,491,790	3,243,506	(2.8)	94.5
Other private sectors	48,340,854	45,002,713	40,149,183	7.4	20.4
Residents	41,940,780	38,639,457	35,099,021	8.5	19.5
Nonresidents	6,400,074	6,363,256	5,050,162	0.6	26.7
Valuation adjustments (+/-)	290,533	170,907	(421,608)	70.0	
Total customer deposits	54,941,006	51,665,410	42,971,081	6.3	27.9
Unadjusted debt certificates including bonds:	31,839,287	29,846,312	38,367,566	6.7	(17.0)
Bonds and other securities outstanding . .	22,576,472	20,040,340	23,982,349	12.7	(5.9)
Commercial paper	9,262,815	9,805,972	14,385,217	(5.5)	(35.6)
Valuation adjustments (+/-)	266,262	361,860	(120,255)	(26.4)	
Total debt certificates including bonds	32,105,549	30,208,172	38,247,311	6.3	(16.1)
Subordinated liabilities	1,981,923	1,616,757	1,754,105	22.6	13.0
Total on-balance sheet funds (a)	89,028,478	83,490,339	82,972,497	6.6	7.3
Mutual funds	8,077,391	8,649,348	10,110,185	(6.6)	(20.1)
Asset portfolio management	850,922	875,706	1,052,403	(2.8)	(19.1)
Pension funds	3,922,124	3,905,595	4,041,838	0.4	(3.0)
Total other intermediated funds (b)	12,850,437	13,430,649	15,204,426	(4.3)	(15.5)
Total funds managed (a+b)	101,878,915	96,920,988	98,176,923	5.1	3.8

Customer deposits

(Amounts in € thousand)

	30.06.09	31.12.08	30.06.08	% variation	
				6 moths	12 moths
Demand deposits	13,400,686	14,026,839	13,163,403	(4.5)	1.8
Savings deposits	5,664,397	4,806,340	5,077,263	17.9	11.6
Time deposits	29,957,386	25,719,428	22,077,165	16.5	35.7
Asset repos	5,409,229	6,692,298	2,742,260	(19.2)	97.3
Other accounts and valuation adjustments . .	509,308	420,505	(89,010)	21.1	
Customer deposits	54,941,006	51,665,410	42,971,081	6.3	27.9
Domestic commercial paper	3,634,786	5,737,102	8,918,052	(36.6)	(59.2)
Total	63,575,792	57,402,512	51,889,133	10.8	22.5

Lending to customers

(Amounts in € thousand)

	30.06.09	31.12.08	30.06.08	% variation	
				6 moths	12 moths
Lending to general government	593,678	561,395	487,378	5.8	21.8
Lending to other private sectors	95,541,012	92,891,224	90,605,726	2.9	5.4
Residents	86,224,154	83,524,458	82,043,802	3.2	5.1
Nonresidents	9,017,629	9,187,806	8,378,718	(1.9)	7.6
Other loans	299,229	178,960	183,206	67.2	63.3
Total lending to customers	96,134,690	93,452,619	91,093,104	2.9	5.5
Valuation adjustments (+/-)	(1,908,305)	(1,751,098)	(1,646,445)	9.0	15.9
Total	94,226,385	91,701,521	89,446,659	2.8	5.3

Lending to customers by type

(Amounts in € thousand)

	30.06.09	31.12.08	30.06.08	% variation	
				6 moths	12 moths
Trade loans and discounts	5,082,067	6,377,878	7,042,874	(20.3)	(27.8)
Secured loans	48,113,098	48,420,181	48,511,480	(0.6)	(0.8)
Mortgage loans	47,984,208	48,276,130	48,345,059	(0.6)	(0.7)
Other	128,890	144,051	166,421	(10.5)	(22.6)
Asset repos	5,087,876	1,921,419	300,020	>	>
Other term loans	25,769,339	26,345,484	26,471,506	(2.2)	(2.7)
Finance leases	3,300,496	3,612,091	3,755,230	(8.6)	(12.1)
Overdrafts and other	3,812,653	3,743,582	3,404,464	1.8	12.0
Others loans	299,229	178,960	183,206	67.2	63.3
Doubtful assets	4,669,932	2,853,024	1,424,324	63.7	>
Total lending to private sectors	96,134,690	93,452,619	91,093,104	2.9	5.5

Risk Management Performance*

(Amounts in € thousand)

	30.06.09	30.06.08	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	3,042,612	834,478	2,208,134	>
Additions	4,165,406	1,146,898	3,018,508	>
Recoveries	1,782,224	247,205	1,535,019	>
Other changes	-	-	-	
Net variation	2,383,182	899,693	1,483,489	>
% increase	78.3	107.8		
Writeoffs	(537,774)	(265,560)	(272,214)	>
Balance at 30 June	4,888,020	1,468,611	3,419,409	>
Allowance for credit losses:				
Balance at 1 January	2,221,902	1,822,353	399,549	21.9
Annual provision:				
Gross	1,367,225	486,304	880,921	>
Recoveries	(763,478)	(148,072)	(615,406)	>
Net	603,747	338,232	265,515	78.5
Other variations	(98,651)	4,579	(103,230)	
Writeoffs	(425,451)	(127,989)	(297,462)	>
Balance at 30 June	2,301,547	2,037,175	264,372	13.0
Memorandum items:				
Total risks	111,265,321	103,560,358	7,704,963	7.4
Loans transferred to suspense accounts	1,207,544	456,150	751,394	>
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	4.39	1.42	2.97	
Insolvency (Writeoffs/Total risks)	0.48	0.26	0.22	
Coverage (Credit loss allowance/Nonperforming loans)	47.09	138.71	(91.62)	

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

Credit loss allowances	Specific	General	Country risk	Total
Balance at 1 January	922,037	1,296,003	3,862	2,221,902
Net provisions	890,232	(286,883)	398	603,747
Amount used	425,451	-	-	425,451
Other variations and transfers	(92,228)	(6,318)	(105)	(98,651)
Balance at 30 June	1,294,590	1,002,802	4,155	2,301,547

Solvency

(Amounts in € thousand)

	Basilea II		
	30.06.09	31.12.08	30.06.08
Total core capital	6,596,060	6,604,457	6,073,721
<i>Core capital (%)</i>	7.37	7.17	6.67
Total Tier 1 Capital	7,772,743	7,475,671	7,353,279
<i>Tier 1 ratio (%)</i>	8.68	8.12	8.07
Total Tier 2 Capital	553,189	905,735	1,532,111
BIS computable capital	8,325,932	8,381,406	8,885,390
Capital cushion	1,166,139	1,011,082	1,573,683
<i>BIS ratio (%)</i>	9.30	9.10	9.76
<i>Memorandum item:</i>			
Total BIS risk-weighted assets	89,497,413(*)	92,129,050	91,083,046

(*) Of which 83,324,438 correspond to credit risk, and the rest to exchange and market risk, and operational risk.

(**) datos con criterios Basilea I

Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Adjusted balance at 31.12.2008	6,228,215	13,968	402,270	6,644,453
Treasury stock	(71,301)	-	-	(71,301)
Consolidation adjustments (net)	6,306	-	(62)	6,244
Actuarial differences	(5,294)	-	(143)	(5,437)
Capital increase	175,867	-	-	175,867
Merger adjustments	(42,283)	-	(133,584)	(175,867)
Valuation adjustments	-	16,802	84	16,886
Profit 1st quarter 2008	1,052,072	-	58,628	1,110,700
Dividends paid in 2008	(609,188)	-	(34,701)	(643,889)
Balance at 31.12.2008	6,734,394	30,770	292,492	7,057,656
Treasury stock	(101,654)	-	-	(101,654)
Consolidation adjustments (net)	10,970	-	(258)	10,712
Actuarial differences	(4,271)	-	(21)	(4,292)
Operations with own shares	40,990	-	-	40,990
Valuation adjustments	-	(7,504)	5	(7,499)
Profit 2st quarter 2008	442,586	-	8,547	451,133
Dividends paid in 2008	(98,859)	-	(27,238)	(126,097)
Balance at 30.06.2009	7,024,156	23,266	273,527	7,320,949

Consolidated earnings

In the first half of 2009, Banco Popular once again demonstrated the recurring nature and strength of its income, with a 19% rise in its net operating profit before provisions.

In a more detailed analysis, net interest income was again the driver of Group earnings and increased by 13% year on year to €1,417 million. This growth was, on the one hand, the outcome of the growth in the balance sheet, both in loans and receivables and in customer liabilities, as discussed in "Business Performance", and, on the other, of the careful management of margins.

Noteworthy in this respect was the 14 basis points rise in the net interest margin to 2.53% as compared with the first half of 2008, maintaining Banco Popular's top ranking among Spanish banks with an advantage of 22 basis points over its nearest competitor (comparing the first quarter data which are the latest available figures).

The growth of the net interest margin was underpinned by an adequate balance sheet structure that generates positive earnings in the current interest rate scenario, and also very significantly by a substantial rise in the differentials on credit transactions with customers. The gross margin also recorded a very positive variation of 11.8% in the first half, based on substantial gains on financial assets and liabilities that offset the 12% decline in fees and commissions, basically for asset management. Noteworthy in this respect was the stabilisation and indeed slight growth in these fees and commissions as a result of the improvement in financial markets and lower customer aversion to risk.

In an environment like that presently prevailing, strict cost control is a key factor. In this respect, Banco Popular has led the branch network optimisation process and decided already in 2008 to reduce its commercial structure; 118 branch offices were closed in the first half of 2009. In comparison with the banking sector and per the latest available data, in the first quarter of 2009, a total of 138 branch offices were closed, of which 70 belonged to the Banco Popular Group, accounting for 33.6% of the figure for the sector as a whole.

The reduction of branch offices and the strict management of costs made it possible to cut administrative expenses by 1% compared with the first half of 2008.

As a result of the sharp increase in income and the control of expenses, the net operating profit before provisions increased substantially by 18.6% to €1,417 million. The Group continued to distinguish itself by having the best efficiency ratio of any Spanish or European bank; this ratio stood at 28.3% at the end of June 2009, 3.63 percentage points lower than at the end of the first half of 2008, compared with the figure of 46.8% for Spanish banks as a whole and of 57.4% for European banks as a whole (per the latest data available at the date of this writing).

As regards the losses for impairment of financial assets, the Group booked €708 million of provisions for loans and receivables in the first half of 2009. These provisions signified a risk premium on lending to customers of 1.57%, compared with 1.05% in the previous year, as a result of the deterioration of delinquency. However, it should be noted that this risk premium includes 33 basis points relating to sectorial provisions booked by the Group as a prudent measure. Also noteworthy is Banco Popular's strength to withstand this increase in impaired risks thanks to its ability to generate recurring earnings. Thus, the increase in net operating profit before provisions, which as a percentage of average loans and receivables rose from 2.71% in the first half of 2008 to 3.15% at the end of the first half in 2009, largely offset the increase in the risk premium excluding sectorial provisions.

Of the total of €708 million recorded for losses for impairment of loans and receivables, €295 million related to the first quarter of 2009 and €413 million to the second quarter of 2009. It should be noted that this increase was not due to greater provisions in the second quarter but to a lower release of €110 million from the general allowance opting once again for greater coverage rather than better earnings.

In addition to the losses for impairment of financial assets for loans and receivables, the Group booked €113 million for losses for impairment of other financial assets, basically impairment of its securities portfolio. It also booked €214 million for possible impairment of properties; these provisions are included in losses for impairment of non-financial assets and losses on non-current assets held for sale. The latter were offset by €225 million of extraordinary income arising from the sale of properties for own use. The Group's policy is to match the generation of extraordinary income to the booking of extraordinary provisions for non-financial assets.

Discounting income tax and profit attributed to minority interests, the profit attributed to the Group, amounting to €443 million, was 34.7% lower than in the first half of 2008.

However, discounting non-recurring items (provisions for sub-standard loans and receivables, provisions for impairment of properties and gains on disposals of properties), the attributed profit of €540 million was 8.7% higher than in the first half of 2008 (adjusted for non-recurring income from the sale of Banco Popular France and for gains on the sale of properties).

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	30.06.09	30.06.08	% variation	30.06.09	30.06.08	Variation
Interest and similar income	2,765,271	3,045,828	(9.2)	4.94	5.80	(0.86)
-Interest expense and similar charges	1,348,066	1,791,659	(24.8)	2.41	3.41	(1.00)
+Remuneration of capital redeemable on demand	-	-	-	-	-	-
=Net interest income	1,417,205	1,254,169	13.0	2.53	2.39	0.14
+Return on equity instruments	3,360	16,794	(80.0)	0.01	0.03	(0.02)
+Share of results of entities accounted for using the equity method	82	90	(8.9)	-	-	-
+Net fees and commissions	389,120	441,982	(12.0)	0.69	0.84	(0.15)
+Gains or losses on financial assets and liabilities (net)	180,854	40,840	>	0.32	0.08	0.24
-Exchange differences (net)	23,525	22,222	5.9	0.04	0.04	-
+Other operating income	139,624	135,459	3.1	0.25	0.26	(0.01)
-Other operating expenses	106,711	80,362	32.8	0.19	0.15	0.04
=Gross operating income	2,047,059	1,831,194	11.8	3.65	3.49	0.16
-Administrative expenses:	578,695	584,153	(0.9)	1.03	1.12	(0.09)
Personnel expenses	389,076	396,712	(1.9)	0.69	0.76	(0.07)
Other general administrative expenses	189,619	187,441	1.2	0.34	0.36	(0.02)
-Depreciation & amortisation	51,059	52,086	(2.0)	0.09	0.10	(0.01)
=Profit before provisions	1,417,305	1,194,955	18.6	2.53	2.27	0.26
-Provisioning expense (net)	(15,879)	7,264		(0.03)	0.01	(0.04)
-Financial asset impairment losses (net)	821,380	466,108	76.2	1.47	0.89	0.58
-Non-financial asset impairment losses (net)	52,872	709	>	0.09	-	0.09
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	225,051	203,078	10.8	0.40	0.39	0.01
+Gains/(Losses) on non-current assets held for sale	(160,997)	(11,016)	>	(0.29)	(0.02)	(0.27)
=Profit before tax	622,986	912,936	(31.8)	1.11	1.74	(0.63)
-Income tax	171,853	237,359	(27.6)	0.30	0.45	(0.15)
+Profit/Loss from discontinued operations (net)	-	40,023	(100.0)	-	0.08	(0.08)
=Consolidated profit for the year	451,133	715,600	(37.0)	0.81	1.36	(0.55)
-Profit or loss attributed to minority interests.	8,547	38,069	(77.5)	0.02	0.07	(0.05)
=Profit or loss attributed to the controlling company	442,586	677,531	(34.7)	0.79	1.29	(0.50)
RORWA (%)				0.99	1.59	(0.60)
ROE (%)				13.48	22.91	(9.43)
Leverage				16.74	16.81	(0.07)
Operating efficiency (%)				28.27	31.90	(3.63)
(millions of euros)						
Average total assets				112,019	105,028	6,991
Risk-weighted average total assets (RWA)				91,316	83,714	7,602
Average equity				6,568	5,916	652

Recurring Consolidated income and profitability 2Q 2009

	(Amounts in € thousand)			(Annualized % of ATA)		
	30.06.09	30.06.08	% variation	30.06.09	30.06.08	Variation
Interest and similar income	2,765,271	3,045,828	(9.2)	4.94	5.80	(0.86)
-Interest expense and similar charges	1,348,066	1,791,659	(24.8)	2.41	3.41	(1.00)
+Remuneration of capital redeemable on demand	-	-	-	-	-	-
=Net interest income	1,417,205	1,254,169	13.0	2.53	2.39	0.14
+Return on equity instruments	3,360	16,794	(80.0)	0.01	0.03	(0.02)
+Share of results of entities accounted for using the equity method	82	90	(8.9)	-	-	-
+Net fees and commissions	389,120	441,982	(12.0)	0.69	0.84	(0.15)
+Gains or losses on financial assets and liabilities (net)	180,854	40,840	>	0.32	0.08	0.24
+Exchange differences (net)	23,525	22,222	5.9	0.04	0.04	-
+Other operating income	139,624	135,459	3.1	0.25	0.26	(0.01)
-Other operating expenses	106,711	80,362	32.8	0.19	0.15	0.04
=Gross operating income	2,047,059	1,831,194	11.8	3.65	3.49	0.16
-Administrative expenses:	578,695	584,153	(0.9)	1.03	1.12	(0.09)
Personnel expenses	389,076	396,712	(1.9)	0.69	0.76	(0.07)
Other general administrative expenses	189,619	187,441	1.2	0.34	0.36	(0.02)
-Depreciation & amortisation	51,059	52,086	(2.0)	0.09	0.10	(0.01)
=Profit before provisions	1,417,305	1,194,955	18.6	2.53	2.27	0.26
-Impairment losses and extraordinary items	657,001	485,097	35,4	1.17	0.92	0.25
=Profit before tax	760,304	709,858	7,1	1.36	1.35	0.01
=Profit attributed to controlling company	540,140	497,353	8,7	0.96	0.95	0.01

Quarterly Consolidated Income

(Amounts in € thousand)

	2008			2009	
	2st	3rd	4rd	1th	2st
Interest and similar income	1,544,565	1,639,911	1,603,516	1,484,337	1,280,934
-Interest expense and similar charges	915,085	994,590	967,745	757,246	590,820
+Remuneration of capital redeemable on demand		-	-	-	-
=Net interest income	629,480	645,321	635,771	727,091	690,114
+Return on equity instruments	11,506	4,944	2,101	1,714	1,646
+Share of results of entities accounted for using the equity method	50	1,639	12,627	54	28
+Net fees and commissions	226,247	208,653	213,913	195,577	193,543
+Gains or losses on financial assets and liabilities (net)	23,115	24,354	9,290	50,138	130,716
-Exchange differences (net)	11,134	16,659	15,348	11,988	11,537
+Other operating income	73,181	43,436	71,485	77,122	62,502
-Other operating expenses	43,331	27,215	52,750	58,760	47,951
=Gross operating income	931,382	917,791	907,785	1,004,924	1,042,135
-Administrative expenses:	293,594	312,530	319,087	284,750	293,945
Personnel expenses	198,129	210,624	210,806	192,850	196,226
Other general administrative expenses	95,465	101,906	108,281	91,900	97,719
-Depreciation & amortisation	25,877	26,415	22,285	25,635	25,424
=Profit before provisions	611,911	578,846	566,413	694,539	722,766
-Provisioning expense (net)	5,050	13,039	9,212	(10,415)	(5,464)
-Financial asset impairment losses (net)	334,476	121,984	410,070	304,015	517,365
-Non-financial asset impairment losses (net)	648	116	14,417	35,834	17,038
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	170,333	180	29,762	65,156	159,895
+/-Gains/(Losses) on non-current assets held for sale	(7,259)	(21,775)	(36,504)	(104,116)	(56,881)
=Profit before tax	434,811	422,112	125,972	326,145	296,841
-Income tax	101,765	123,597	29,387	94,494	77,359
+Profit/Loss from discontinued operations (net)	37,091	-	-	-	-
=Consolidated profit for the year	370,137	298,515	96,585	231,651	219,482
-Profit or loss attributed to minority interests..	17,140	16,620	3,939	6,890	1,657
=Profit or loss attributed to the controlling company	352,997	281,895	92,646	224,761	217,825

Quarterly Profitability

(Annualized % of ATA)

	2008			2009	
	2st	3rd	4rd	1th	2st
Interest and similar income	5.84	5.98	5.88	5.39	4.50
-Interest expense and similar charges	3.46	3.63	3.55	2.75	2.08
+Remuneration of capital redeemable on demand	-	-	-	-	-
=Net interest income	2.38	2.35	2.33	2.64	2.42
+Return on equity instruments	0.04	0.02	0.01	0.01	0.01
+Share of results of entities accounted for using the equity method	-	0.01	0.05	-	-
+Net fees and commissions	0.85	0.76	0.78	0.71	0.68
+Gains or losses on financial assets and liabilities (net)	0.09	0.09	0.03	0.18	0.46
-Exchange differences (net)	0.04	0.06	0.06	0.04	0.04
+Other operating income	0.28	0.16	0.26	0.28	0.22
-Other operating expenses	0.16	0.10	0.19	0.21	0.17
=Gross operating income	3.52	3.35	3.33	3.65	3.66
-Administrative expenses:	1.11	1.14	1.17	1.03	1.03
Personnel expenses	0.75	0.77	0.77	0.70	0.69
Other general administrative expenses	0.36	0.37	0.40	0.33	0.34
-Depreciation & amortisation	0.10	0.10	0.08	0.09	0.09
=Profit before provisions	2.31	2.11	2.08	2.53	2.54
-Provisioning expense (net)	0.02	0.05	0.03	(0.04)	(0.02)
-Financial asset impairment losses (net)	1.26	0.44	1.50	1.11	1.82
-Non-financial asset impairment losses (net)	-	-	0.05	0.13	0.06
+Gains/(Losses) on disposal of assets not class. as non-current assets held for sale	0.64	-	0.11	0.24	0.56
+Gains/(Losses) on non-current assets held for sale	(0.03)	(0.08)	(0.14)	(0.38)	(0.20)
=Profit before tax	1.64	1.54	0.46	1.19	1.04
-Income tax	0.38	0.45	0.11	0.35	0.27
+Profit/Loss from discontinued operations (net)	0.14	-	-	-	-
=Consolidated profit for the year	1.40	1.09	0.35	0.84	0.77
-Profit or loss attributed to minority interests..	0.06	0.06	0.01	0.02	-
=Profit or loss attributed to the controlling company	1.33	1.03	0.34	0.82	0.77
RORWA (%)	1.63	1.32	0.43	1.01	0.97
ROE (%)	23.87	19.06	6.29	13.73	13.24
Leverage	17.07	17.51	17.77	16.32	17.17
Operating efficiency (%)	31.52	34.05	35.15	28.34	28.21
(millions of euros)					
Average total assets	105,859	109,672	109,160	110,167	113,871
Risk-weighted average total assets (RWA)	90,452	90,723	91,415	92,005	90,627
Average equity	5,917	5,915	5,895	6,549	6,580

Yields and Costs

(Amounts in € thousand and rates annualized)

	30.06.09				30.06.08			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	6,398,709	5.71	52,837	1.65	7,440,393	7.08	152,889	4.11
Lending to customers (a)	89,998,901	80.34	2,621,617	5.83	88,040,304	83.83	2,778,374	6.31
Securities portfolio	5,308,952	4.74	85,092	3.21	4,029,443	3.84	107,990	5.36
Other earning assets	198,318	0.18	5,725	5.77	335,220	0.32	6,575	3.92
<i>Total earning assets(b)</i>	101,904,880	90.97	2,765,271	5.43	99,845,360	95.07	3,045,828	6.10
Other assets	10,113,912	9.03	-	-	5,182,206	4.93	-	-
Total assets (c)	112,018,792	100.00	2,765,271	4.94	105,027,566	100.00	3,045,828	5.80
Financial system	13,534,466	12.08	145,812	2.15	11,269,741	10.73	235,772	4.18
Customer funds (d)	51,796,606	46.24	648,851	2.51	41,103,472	39.14	597,379	2.91
Demand accounts	12,858,215	11.48	54,476	0.85	13,243,394	12.61	101,729	1.54
Savings and time deposits	38,938,391	34.76	594,375	3.05	27,860,078	26.53	495,650	3.56
Marketable debt securities & other	33,812,273	30.18	542,758	3.21	40,649,944	38.70	948,626	4.67
Other interest-bearing liabilities. . .	284,626	0.25	10,645	7.48	302,369	0.29	9,882	6.54
<i>Total interest-bearing liabilities (e)</i>	99,427,971	88.75	1,348,066	2.71	93,325,526	88.86	1,791,659	3.84
Other non-interest-bearing liabilities	6,023,276	5.39	-	-	5,786,217	5.51	-	-
Equity	6,567,545	5.86	-	-	5,915,823	5.63	-	-
Total liabilities and equity (f) . .	112,018,792	100.00	1,348,066	2.41	105,027,566	100.00	1,791,659	3.41
<i>Customer spread (a-d)</i>				3.32				3.40
<i>Spread (b-e)</i>				2.72				2.26
<i>Net interest margin (c-f)</i>				2.53				2.39

Quarterly Yields and Costs

(Data in % and rates annualized)

	2008						2009			
	2st		3rd		4rd		1th		2st	
	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate
Financial system	6.81	4.21	8.33	4.04	6.52	3.62	5.79	2.27	5.63	1.03
Loans and discounts (a)	83.90	6.36	81.69	6.61	83.01	6.61	81.79	6.21	77.53	5.54
Securities portfolio	3.88	5.25	3.94	5.96	3.25	3.95	3.75	4.49	5.70	2.39
Other earning assets	0.31	4.11	0.29	3.88	0.27	9.21	0.18	5.89	0.17	5.66
<i>Total earning assets(b)</i>	<i>94.90</i>	<i>6.15</i>	<i>94.25</i>	<i>6.35</i>	<i>93.05</i>	<i>6.32</i>	<i>91.51</i>	<i>5.89</i>	<i>89.03</i>	<i>4.98</i>
Other assets	5.10	-	5.75	-	6.95	-	8.49	-	10.97	-
Total assets (c)	100.00	5.84	100.00	5.98	100.00	5.88	100.00	5.39	100.00	4.50
Financial system	11.67	4.31	11.85	3.83	11.24	4.09	11.33	2.84	12.81	1.57
Customer funds (d)	39.63	2.96	39.12	3.22	45.16	3.29	46.58	2.78	45.90	2.24
Demand accounts	12.26	1.47	11.80	1.76	12.72	1.94	11.70	1.08	11.26	0.61
Savings and time deposits	27.37	3.62	27.33	3.85	32.44	3.82	34.88	3.35	34.64	2.76
Marketable debt securities & other	37.20	4.74	37.55	5.05	32.08	4.93	30.41	3.66	29.96	2.77
Other interest-bearing liabilities	0.28	6.60	0.28	6.22	0.28	6.08	0.26	7.47	0.25	7.49
<i>Total interest-bearing liabilities (e)</i>	<i>88.78</i>	<i>3.89</i>	<i>88.80</i>	<i>4.08</i>	<i>88.76</i>	<i>4.00</i>	<i>88.58</i>	<i>3.10</i>	<i>88.92</i>	<i>2.33</i>
Other non-interest-bearing liabilities	5.63	-	5.81	-	5.84	-	5.48	-	5.30	-
Equity	5.59	-	5.39	-	5.40	-	5.94	-	5.78	-
Total liabilities and capital (f)	100.00	3.46	100.00	3.63	100.00	3.55	100.00	2.75	100.00	2.08
<i>Customer spread (a-d)</i>		<i>3.40</i>		<i>3.39</i>		<i>3.32</i>		<i>3.43</i>		<i>3.30</i>
<i>Spread (b-e)</i>		<i>2.26</i>		<i>2.27</i>		<i>2.32</i>		<i>2.79</i>		<i>2.65</i>
<i>Net interest margin (c-f)</i>		<i>2.38</i>		<i>2.35</i>		<i>2.33</i>		<i>2.64</i>		<i>2.42</i>

Net Fee and Commission Income

(Amounts in € thousand)

	30.06.09	30.06.08	% variation	Distribution (%)	
				2009	2008
Risk fees and commissions	122,513	129,394	(5.3)	31,5	29,3
Asset transaction services	63,891	68,561	(6.8)	16,4	15,5
Provision of collateral and other guarantees	58,622	60,833	(3.6)	15,1	13,8
Asset management fees and commissions	77,456	105,727	(26.7)	19,9	23,9
Securities portfolios	14,088	15,697	(10.3)	3,6	3,6
Mutual funds	41,110	62,866	(34.6)	10,6	14,2
Pension plans	22,258	27,164	(18.1)	5,7	6,1
Management service fees and commissions	189,151	206,861	(8.6)	48,6	46,8
Collection and payment handling	97,403	111,215	(12.4)	25,0	25,1
Securities and foreign currency purchase and sale	8,100	8,192	(1.1)	2,1	1,9
Demand account administration	47,179	53,088	(11.1)	12,1	12,0
Other	36,469	34,366	6.1	9,4	7,8
Total	389,120	441,982	(12.0)	100,0	100,0

Personnel and general expenses

(Amounts in € thousand)

	30.06.09	30.06.08	% variation	Distribution (%)	
				2009	2008
Personnel expenses:	389,076	396,712	(1.9)	67.2	67.9
Wages and salaries	294,444	299,307	(1.6)	50.9	51.2
Social security charges	69,882	71,008	(1.6)	12.1	12.2
Other personnel expenses	12,277	12,994	(5.5)	2.1	2.2
Pensions	12,473	13,403	(6.9)	2.1	2.3
General expenses:	189,619	187,441	1.2	32.8	32.1
Rents and common services	39,002	30,496	27.9	6.8	5.2
Communications	12,134	13,047	(7.0)	2.1	2.2
Maintenance of premises and equipment	13,292	11,387	16.7	2.3	1.9
IT and other technical expenses	39,548	35,399	11.7	6.8	6.1
Stationery and office supplies	3,531	3,897	(9.4)	0.6	0.7
Technical reports and legal expenses	11,111	7,820	42.1	1.9	1.3
Advertising and publicity	14,621	15,455	(5.4)	2.5	2.6
Insurance	2,215	2,175	1.8	0.4	0.4
Security and fund transport services	8,834	8,536	3.5	1.5	1.5
Travel	5,023	6,739	(25.5)	0.9	1.2
Property taxes, VAT and other	24,487	25,223	(2.9)	4.2	4.3
Other general expenses	15,821	27,267	(42.0)	2.8	4.7
Total	578,695	584,153	(0.9)	100.0	100.0

Information by segment

As stated in the 2008 annual reporting documents, the Banco Popular Group is managed and directed at entity level. For the purposes of the information by segment and as indicated in that annual report, the main segment defined is the geographical segment, and the secondary segment is the activity segment. The balance sheet total in each geographical segment reflects the amount corresponding to Spain and Portugal, respectively. In each of the secondary segments the contribution of each to total assets in the consolidated balance sheet is shown.

The information by geographical segment is as follows:

	30.06.09		30.06.08		% variation	
	Spain	Portugal	Spain	Portugal	Spain	Portugal
Net interest income	1,336,202	81,003	1,175,951	78,218	13.6	3.6
Gross income	1,953,436	93,623	1,733,722	97,472	12.7	(3.9)
Profit before provisions	1,379,741	37,564	1,150,406	44,549	19.9	(15.7)
Total assets	109,679,226	9,320,595	100,504,892	8,423,440	9.1	10.6
Number of employees	13,452	1,377	14,039	1,380	(4.2)	(0.2)
Number of branch offices	2,210	235	2,335	233	(5.4)	0.9

(*) Also includes the remaining international activity that does not constitute a separate segment.

The breakdown by business activity segment is as follows:

	Consolidated profit			Total assets		
	30.06.09	30.06.08	% variation	30.06.09	30.06.08	% variation
Asset management	27,870	25,999	7.2	373,482	339,077	10.1
Insurance activity	12,534	15,003	(16.5)	841,970	918,766	(8.4)
Commercial banking	363,448	421,119	(13.7)	90,150,080	90,355,591	(2.3)
Corporate and markets	47,282	253,479	(81.3)	27,634,289	17,314,898	59.6
Total	451,133	715,600	(37.0)	118,999,821	108,928,332	9.2

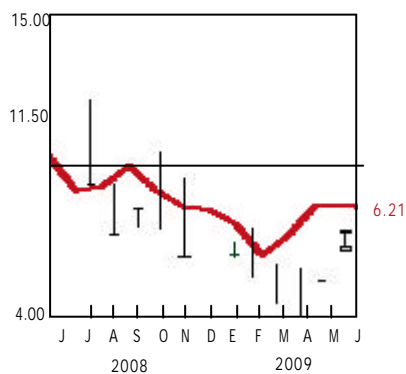
Market Performance of the Bank's Shares

Market information

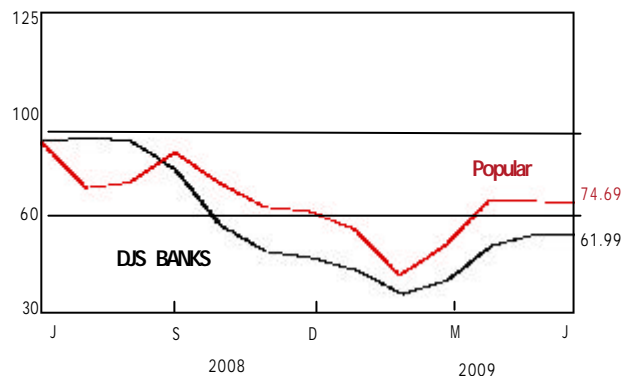
Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2008 1st	1,215,433	998,308	81.93	11.98	8.51	11.50	0.1222	(0.7)
2nd	1,215,433	805,224	66.25	12.21	8.69	8.79	0.1234	(22.5)
3rd	1,215,433	944,346	77.70	9.98	6.50	8.29	0.1250	(4.5)
4th	1,216,743	638,486	52.50	8.91	5.60	6.08	0.1300	(0.3)
Year total	1,215,753	3,386,364	278.54	12.21	5.60	6.08	0.5006	(43.8)
2009 1st	1,235,741	747,715	60.5	6.79	3.21	4.77	0.12350	(0.3)
2nd	1,235,741	617,349	49.96	6.70	4.59	6.21	0.08000	0.2

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

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



Banco Popular compared with all euro area banks
June 2008-June 2009
(Month-end data, base = 100)



Market ratios	30.06.09	30.06.08
Price / Book value	1.09	1.62
Price / Earnings (PE ratio)	8.51	7.88
Dividend return*	5.15	5.62

* Calculated with the dividend paid in the second quarter, annualized

Treasury Stock

(Thousands of shares)	Number				Total outstanding (a)	Total traded (b)	Treasury Stock*	
	Average	Maximum	Minimum	Closing			As % of (a)	As % of (b)
2008								
First quarter	723	724	720	724	1,215,433	998,308	0.06	0.07
Second quarter	724	724	724	724	1,215,433	805,224	0.06	0.09
Third quarter	1,011	2,634	724	2,634	1,215,433	944,346	0.08	0.11
Fourth quarter	7,323	10,116	724	10,116	1,235,741	638,486	0.59	1.15
2009								
First quarter	18,580	35,520	10,116	20,060	1,235,741	747,715	1.50	2.48
Second quarter	24,714	31,690	12,451	28,614	1,235,741	617,349	2.00	4.00

* Calculated on average treasury stock held in the quarter.

Basis of presentation and accounting principles and standards

Pursuant to Regulation 1606/2002 of the European Parliament and Council, dated July 19, 2002, the obligation for companies whose securities were listed on a regulated market in a Member State of the European Union at the date of their balance sheets to prepare consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) came into force on January 1, 2005.

The Bank of Spain, as the accounting regulator of the Spanish banking industry, implemented and adapted the accounting standards for credit institutions in its Circular 4/2004, as published in the Official State Gazette on December 30, 2004. That Circular was partly amended by Circular 6/2008.

Basis of presentation

The accompanying financial information was prepared in accordance with the new regulations and reflects all the economic activities of the Banco Popular Group, both financial and insurance and non-financial, and accordingly provides a true and fair view of the consolidated net worth, financial position, risks and results of operations.

The entry into force of Bank of Spain 6/2008 enabled the Group to take the option of recording actuarial gains and losses through net worth and therefore, for comparison purposes the published information relating to previous periods has been amended as appropriate.

Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 15 to the 2008 consolidated financial statements, which included most notably the following:

A) Impairment of the value of assets: The treatment of financial assets differs from that of all other assets, as discussed below.

Coverage is envisaged for the losses on financial assets, provided that they are based on objective evidence. Specific and general allowances are booked for customer-attributable credit-loss risk, and specific allowances for country risk.

The specific allowance reflects the deterioration of assets individually identified as impaired, and the general allowance reflects the inherent loss incurred based on the nature of each risk and estimated by statistical procedures pending allocation to specific transactions.

The Bank of Spain has stipulated models and methodology conforming to IFRS for the calculation of the foregoing allowances.

The regulations require strict treatment in the classification of doubtful balances in customer transactions, since default in the payment of one installment triggers the classification as nonperforming of the entire transaction.

For all other assets, including goodwill, impairment is deemed to exist if and when the book value of the assets exceeds their recoverable amount. In the case of goodwill, an impairment test must be performed at least once a year, since goodwill is not systematically amortized, and the appropriate writedown is booked if there is evidence of impairment.

B) Income:

B1) Fees: Under IFRS the treatment of fees collected or paid differs depending on whether they are compensation for a service rendered or a cost incurred, or are remuneration additional to the interest rate on the transaction. The former are recognized as income when the service is rendered or the cost is incurred, and the latter are accrued over the term of the transaction.

B2) Interest and dividends: Interest is recognized on an accrual basis by the effective interest rate method, and dividends are recorded when declared.

C) Financial instruments are classified for valuation purposes and recorded as follows:

- Instruments classified in the trading portfolio, including financial derivatives, are recorded at fair value, with changes taken to the income statement.
- Loans and discounts and held-to-maturity investments are recorded at their amortized cost.
- Available-for-sale financial assets are valued at fair value, and changes in value are recorded in net worth until realized, at which time they are recognized in the income statement.
- Substantially all financial liabilities are valued at amortized cost.

D) Non-financial and intangible assets and inventories. These are valued at cost. For the valuation of tangible assets, the Banco Popular Group has not, on a general basis, taken the option provided in IFRS to revalue them, and accordingly they are presented in the balance sheet at cost restated, where appropriate, pursuant to the applicable enabling legislation, net of accumulated depreciation.

E) Non-current assets held for sale. Recorded in this caption are the assets bought or foreclosed.

Disclaimer

This financial report has been prepared by Banco Popular solely for purposes of information. It may contain estimates and forecasts with respect to the future development of the business and to the financial results of the Banco Popular Group, which stem from the expectations of the Banco Popular Group and which, by their very nature, are exposed to factors, risks and circumstances that could affect the financial results in such a way that they might not coincide with such estimates and forecasts. These factors include, but are not restricted to, (i) changes in interest rates, exchange rates or any other financial variable, both on the domestic as well as on the international securities markets, (ii) the economic, political, social or regulatory situation, and (iii) competitive pressures. In the event that such factors or other similar factors were to cause the financial results to differ from the estimates and forecasts contained in this report, or were to bring about changes in the strategy of the Banco Popular Group, Banco Popular does not undertake to publicly revise the content of this report.

This financial report contains summarised information and in no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, nor is it intended to serve as a basis for any contract or commitment whatsoever.

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