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Quarterly report

january february march

Highlights

(Amounts in € thousand)	31.03.10	31.03.09	Var. %
Business volume			
Total assets managed	140,400,249	127,205,181	10.4
On-balance sheet total assets	127,480,448	114,521,265	11.3
Own funds	8,519,431	6,768,904	25.9
Adjusted customer deposits	62,670,041	51,782,860	21.0
Lending to customers (gross)	97,657,827	94,244,496	3.6
Solvency			
Core capital(%)	8.74	7.23	
Tier 1 (%)	9.25	8.47	
BIS ratio	9.61	9.25	
Leverage	14.36	16.32	
Risk management			
Total risks	114,919,788	109,992,494	4.5
Non-performing loans	5,648,183	4,199,199	34.5
Allowances for credit losses	2,823,811	2,141,410	31.9
% nonperforming ratio	4.91	3.82	
% coverage (Credit loss allowance/Nonperforming loans)	50.00	51.00	
Earnings			
Net interest income	668,143	727,091	(8.1)
Gross operating income	917,217	1,004,924	(8.7)
Profit before provisions	605,265	694,539	(12.9)
Profit before tax	290,495	326,145	(10.9)
Consolidated profit for the year	206,934	231,651	(10.7)
Net profit attributed to the Group	204,016	224,761	(9.2)
Net return and efficiency			
Average total assets	121,571,711	110,166,703	10.4
Average total equity	8,343,633	6,549,264	27.4
ROA (%)	0.68	0.84	
ROE (%)	9.78	13.73	
Operating efficiency (%)	31.20	28.34	
Per share data			
Final number of shares (thousands)	1,431,222 ⁽¹⁾	1,235,741	7.9
Average number of shares (thousands)	1,407,173	1,217,160	15.6
Share closing market price (€)	5.45	4.77	14.3
Market capitalization	7,265,673	5,894,485	23.3
Book value per share(€)	6.39	5.48	16.7
Net earnings per share (€)	0.145	0.185	(21.6)
Dividend per share paid in the period (€) ⁽²⁾	0.075	0.124	(39.5)
Price/Book value	0.85	0.87	
Price/Earnings (annualized)	9.40	6.45	
Other data			
Shareholders	138,146	131,828	4.8
Employees	14,386	14,955	(3.8)
Spain	12,639	13,231	(4.5)
Men	8,625	9,086	(5.1)
Women	4,014	4,145	(3.2)
Abroad	1,747	1,724	1.3
Men	1,119	1,121	(0.2)
Women	628	603	4.1
Branches	2,336	2,434	(4.0)
Spain	2,085	2,185	(4.6)
Abroad	251	249	0.8
Mundocredit branches	43	59	(27.1)
ATMs	3,028	3,264	(7.2)

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

The Group's consolidated financial statements at 31 March 2010 included herein have not been audited and were prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The regulatory changes introduced in 2010 did not affect the comparability of the financial information for preceding periods published in this Report.

Salient aspects

The fourth quarter of 2009 showed signs of stabilisation of the economic situation at global level with positive quarterly growth in USA and the euro area. In contrast, the public coffers of the leading countries suffered sharp deterioration as a consequence of the exceptional measures adopted to stimulate their economies. In Spain signs of stabilisation were also observed, although all indications are that its recovery will be slower than that in its neighbouring countries – still with negative growth in the fourth quarter although more moderate than in the preceding quarter and the unemployment rate continuing to rise, albeit at a slower pace.

In the first quarter of 2010 financial markets underwent a substantial recovery during much of the quarter, supported by higher levels of confidence. This enabled central banks to reduce, although still very timidly, the intensity of certain measures to shore up the financial system. Thus, the ECB abandoned the auctions at 12 and 6 months and the supplementary ones at 3 months, maintaining the complete assignment of liquidity in the principal funding operations until at least 12 October 2010.

This situation was recently interrupted by the solvency problems in Greece, which triggered a sharp upturn in volatility and the risk premiums of public sector securities, and thereby those of the private sector, especially in the euro area's peripheral countries with major budgetary imbalances.

In this context Banco Popular presents sound balance and accounts with growth and earnings in line with forecasts, a clear stabilisation of the impairment of its loan portfolio, and substantial capital and liquidity strength.

As regards business, Banco Popular successfully achieved growth both in lending and in deposits. Thus, gross credit to customers was up by 3.6%, with initial signs of recovery in the volume of mortgages, and a positive trend in the number of risk transaction proposals.

On the deposit side, growth compared with the first quarter of 2009 was spectacular at 21%, with rises of 17% in demand accounts and of 25% in time deposits. This growth is in line with the strategy initiated by the Bank in 2008 of reducing its dependence on the wholesale markets and its loans/deposits ratio, which fell from 194% at the end of the first quarter of 2009 to 160% at the end of March 2010, reducing the commercial gap by €9,797 million. Since the start of 2010, the commercial gap has decreased by €2,601 million, representing 8 percentage points in ratio terms.

Noteworthy was the fact that this growth in retail liabilities did not entail any significant variation either in the structure of time deposit maturities or in the average volumes of the deposits portfolio. The campaigns carried out aimed to capture external liabilities of SMEs and private individuals, segments which in previous campaigns subsequently reported high rates of permanence and bonding. The higher cost of these operations was offset by the growth of the balance managed in current accounts and a prudent policy of renewal of time deposits.

As regards earnings, the quarter showed the deterioration that had been foreseen in the net interest income as a result of the present situation of continuing very low interest rates. This effect was partially offset, above all, by the correct management of the differentials applied to the new asset and liability transactions, and by a higher volume of business. As regards the differentials, noteworthy was Banco Popular's capability of applying credit differentials higher than the market average, thanks to the high quality of the service, the range of products offered and the segment in which it operates.

Also, the 8.7% decline in gross operating income was the consequence of lower fee and commission income and financial asset and liability transactions income. As regards fees and commissions, those connected with traditional banking services and asset management stabilised, whereas there was a logical decline in those for unpaid transactions as a result of the lower number of such transactions in the first quarter.

Despite a deterioration in margins, Banco Popular continued to be the most profitable bank in the Spanish market with an annualised rate of gross operating income to (gross) lending to customers of 4.1%.

Costs remained practically flat despite the negative impact of rental expense of offices sold under lease-back arrangements. Excluding this effect, the cost reduction in the quarter would have been 3% as a result of the falls of 2% in personnel expenses and of 7.2% in non-rental expenses, justified mainly by the closure of 4.6% of the branches.

The net operating income, or pre-provision profit, of €605 million was 12.9% lower than in the first quarter of 2009, but very much higher in absolute terms than at all other medium-sized banks in Spain, thanks to the higher profitability and greater efficiency of Banco Popular. The Bank's efficiency ratio of 31% was again the best in the Spanish financial system and one of the best in Europe.

As was foreseen, the first quarter of 2010 showed a better performance of losses for credit risk asset impairment, which were 11% lower than in the first quarter of 2009, despite the lower release, amounting to €67 million, of the general allowance. This change of trend was due basically to the clearly favourable evolution of the net additions to delinquent balances, which decreased for the fourth successive quarter; these additions were 16.9% lower than in the fourth quarter of 2009 and 77.6% lower than in the first quarter of that year.

The reduction of additions to delinquent balances quarter by quarter led to a non-performing ratio of 4.91% at Banco Popular, compared to that of 5.29% at February end for the banking sector in Spain as a whole and, although higher than that at year end, the rise was 8 basis points lower than in the fourth quarter of 2009 and 92 basis points than in the first quarter of that year. This trend, which started in 2009, permits moderate optimism as regards the non-performing ratio at year end, when a slight improvement is expected from any maximum level that may be achieved in the central quarters of the year.

Despite this reduction in the provisions for loans, the coverage ratio remained at 50%, a figure which amply covers the expected loss additionally, the delinquent portfolio is covered by guarantees in rem of over €4,700 million. The provisions booked for credit risk amounted to €2,824 million, of which €724 million were for the general allowance, which at the rate of usage in the first quarter would cover more than six additional quarters.

Also noteworthy was the rise in the level of coverage for the non-current assets held for sale portfolio to 20% at year end, with a 40.4% discount on the book value as compared with the end of 2007, when property prices peaked. Banco Popular considers that the book value of its property portfolio is very reasonable, but it will continue to make calendar-scheduled voluntary provisions. This policy of prudence will make it possible to generate future profits once the incipient recovery of the property market takes hold. In the first quarter of 2010 Banco Popular booked provisions, mainly calendar-scheduled, of €120 million, compared with €140 million in the same period of 2009.

Finally, as in 2009, gains of €81 million were recorded, basically on the sale of branch offices, to offset precautionary provisions for properties.

The less satisfactory performance of income items compared with 2009, partially offset by the improved performance of provisions, reduced the attributed profit by 9.2% to €204 million.

In addition to the soundness of the income statement, mention should be made of Banco Popular's great capital strength, further reinforced to attain core capital of 8.74%, 17 basis points higher than at the end of 2009. This improvement was supported by the retention of earnings and enhanced risk quality. The Tier 1 capital stood at 9.25% and the BIS ratio was 9.61%. As a result of Banco Popular's core capital strengthening policy, it has the highest core capital ratio of any Spanish bank and one of the highest in Europe – disregarding banks that have received state aid. Also noteworthy was the leverage ratio of 14.36%, the best in Europe and a privileged situation in view of the new solvency requirements of the Basel Committee whose impact on Banco Popular's ratios is expected to be minimal.

As regards liquidity, Banco Popular's situation is very comfortable. Long-term wholesale liability maturities scheduled for 2010 have already been covered by the reduction of €2,601 million in the commercial gap mentioned earlier and by the issuance of €1,000 million of 8-year covered bonds; this was the issue at longest term made by any Spanish bank in the first quarter of this year. Banco Popular also has a second liquidity line of over €16,000 million, in effective terms, which covers 50% of the total wholesale funding and will permit the Bank to comfortably face up to any stress situation in the wholesale markets.

As regards the upcoming quarters of 2010, the expectations are of clearer signs of economic recovery, notwithstanding the existence of notable risks relating to the negative impact of the inevitable running down of the stimulus policies and of the increase in sovereign risks, this latter now being a determining factor in fixing funding costs. This situation, the expected evolution of interest rates, and the still weak demand for credit will lead to the continuing shrinkage of margins at similar levels as current. On the other hand, the improved evolution of the growth of delinquency, and thereby of the needs for writedowns, will foreseeably offset that decline in margins and enable the Bank to achieve a net profit above current market expectations.

Balance Sheet

(Amounts in € thousand)

	31.03.10	31.12.09	31.03.09	% variation	
				3 months	12 months
Assets					
Cash and balances with central banks	3,132,721	3,748,699	564,166	(16.4)	>
Financial assets held for trading	1,520,033	1,353,902	806,887	12.3	88.4
Other financial assets at fair value through profit or loss	470,041	416,972	344,578	12.7	36.4
Available-for-sale financial assets	12,018,437	11,030,058	6,462,893	9.0	86.0
Loans and receivables	99,484,907	102,298,399	98,421,523	(2.8)	1.1
Loans and advances to other debtors	95,169,113	94,956,488	92,507,606	0.2	2.9
Other loans and receivables	4,315,794	7,341,911	5,913,917	(41.2)	(27.0)
Held-to-maturity investments	2,642,254	2,266,524	26,480	16.6	>
Hedging derivatives	1,194,156	1,469,702	1,642,102	(18.7)	(27.3)
Non-current assets held for sale	2,757,150	2,735,721	2,001,945	0.8	37.7
Investments	53,503	56,148	31,749	(4.7)	68.5
Insurance contracts linked to pensions	170,975	173,851	178,440	(1.7)	(4.2)
Reinsurance assets	3,339	2,792	7,803	19.6	(57.2)
Tangible assets	1,917,867	1,806,836	1,658,968	6.1	15.6
Intangible assets	494,333	486,932	554,241	1.5	(10.8)
Tax assets	845,722	708,531	922,548	19.4	(8.3)
Other assets	775,010	735,081	896,942	5.4	(13.6)
Total Assets	127,480,448	129,290,148	114,521,265	(1.4)	11.3
Liabilities					
Financial liabilities held for trading	1,415,420	1,195,636	2,071,621	18.4	(31.7)
Other financial liabilities at fair value through profit or loss	118,985	104,172	116,306	14.2	2.3
Financial liabilities at amortised cost:	114,302,677	116,448,911	102,410,272	(1.8)	11.6
Deposits from credit institutions	18,424,220	23,899,952	15,677,352	(22.9)	17.5
Deposits from other creditors	62,670,041	59,557,592	51,782,860	5.2	21.0
Debt certificates including bonds	30,408,048	30,333,821	31,917,754	0.2	(4.7)
Subordinated liabilities	1,833,546	1,820,215	2,041,705	0.7	(10.2)
Other financial liabilities	966,822	837,331	990,601	15.5	(2.4)
Hedging derivatives	600,370	597,357	230,585	0.5	>
Insurance contract liabilities	1,085,290	1,073,484	978,829	1.1	10.9
Provisions for contingent exposures	455,553	476,824	468,785	(4.5)	(2.8)
Tax liabilities	561,551	392,543	322,999	43.1	73.9
Other liabilities	408,105	553,237	810,914	(26.2)	(49.7)
Total liabilities	118,947,951	120,842,164	107,410,311	(1.6)	10.7
Equity					
Own funds	8,519,431	8,415,854	6,768,904	1.2	25.9
Capital, reserves and retained earnings	8,315,415	7,849,529	6,544,143	5.9	27.1
Profit or loss for the period	204,016	766,132	224,761	-	(9.2)
Dividends paid and declared	-	(199,807)	-	-	-
Valuation adjustments	(25,257)	(15,649)	70,442	61.4	-
Minority interests	38,323	47,779	271,608	(19.8)	(85.9)
Total equity	8,532,497	8,447,984	7,110,954	1.0	20.0
Total liabilities and equity	127,480,448	129,290,148	114,521,265	(1.4)	11.3

Funds Managed

(Amounts in € thousand)

	31.03.10	31.12.09	31.03.09	% variation	
				3 months	12 months
Unadjusted customer deposits	62,309,668	59,288,645	51,604,179	5.1	20.7
General government	5,191,929	7,154,546	6,614,345	(27.4)	(21.5)
Other private sectors	57,117,739	52,134,099	44,989,834	9.6	27.0
Residents	49,811,343	44,704,662	38,615,540	11.4	29.0
Nonresidents	7,306,396	7,429,437	6,374,294	(1.7)	14.6
Valuation adjustments (+/-)	360,373	268,947	178,681	34.0	>
Total customer deposits	62,670,041	59,557,592	51,782,860	5.2	21.0
Unadjusted debt certificates including bonds:	29,637,248	29,807,983	31,524,105	(0.6)	(6.0)
Bonds and other securities outstanding . .	20,791,413	20,968,488	20,499,170	(0.8)	1.4
Commercial paper	8,845,835	8,839,495	11,024,935	0.1	(19.8)
Valuation adjustments (+/-)	770,800	525,838	393,649	46.6	95.8
Total debt certificates including bonds	30,408,048	30,333,821	31,917,754	0.2	(4.7)
Subordinated liabilities	1,833,546	1,820,215	2,041,705	0.7	(10.2)
Total on-balance sheet funds (a)	94,911,635	91,711,628	85,742,319	3.5	10.7
Mutual funds	7,900,312	8,000,270	8,021,176	(1.2)	(1.5)
Asset portfolio management	843,818	876,068	842,059	(3.7)	0.2
Pension funds	4,175,671	4,186,149	3,820,681	(0.3)	9.3
Total other intermediated funds (b)	12,919,801	13,062,487	12,683,916	(1.1)	1.9
Total funds managed (a+b)	107,831,436	104,774,115	98,426,235	2.9	9.6

Customer deposits

(Amounts in € thousand)

	31.03.10	31.12.09	31.03.09	% variation	
				3 months	12 months
Demand deposits	20,616,006	20,718,265	17,567,817	(0.5)	17.4
Time deposits	34,652,572	31,662,508	27,787,976	9.4	24.7
Asset repos	6,813,694	6,649,223	5,998,222	2.5	13.6
Other accounts and valuation adjustments .	587,769	527,596	428,845	11.4	37.1
Customer deposits	62,670,041	59,557,592	51,782,860	5.2	21.0
Domestic commercial paper	3,446,398	3,060,951	4,520,973	12.6	(23.8)
Total	66,116,439	62,618,543	56,303,833	5.6	17.4

Lending to customers

(Amounts in € thousand)

	31.03.10	31.12.09	31.03.09	% variation	
				3 months	12 months
Lending to general government	466,961	288,607	568,556	61.8	(17.9)
Lending to other private sectors	97,190,866	97,074,315	93,675,940	0.1	3.8
Residents	87,678,913	87,223,770	84,322,422	0.5	4.0
Nonresidents.	9,288,920	9,180,896	9,144,852	1.2	1.6
Other loans.	223,033	669,649	208,666	(66.7)	6.9
Total lending to customers.	97,657,827	97,362,922	94,244,496	0.3	3.6
Valuation adjustments (+/-).	(2,488,714)	(2,406,434)	(1,736,890)	3.4	43.3
Total	95,169,113	94,956,488	92,507,606	0.2	2.9

Lending to customers by type

(Amounts in € thousand)

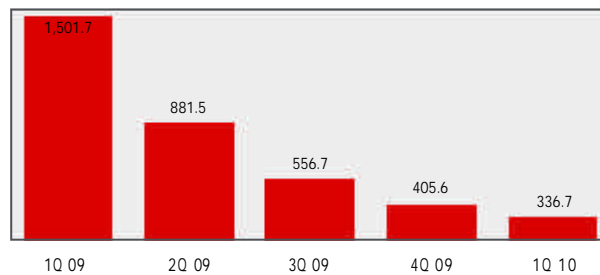
	31.03.10	31.12.09	31.03.09	% variation	
				3 months	12 months
Trade loans and discounts	4,786,294	5,038,485	5,444,011	(5.0)	(12.1)
Secured loans	47,850,414	47,781,508	48,045,509	0.1	(0.4)
Mortgage	47,740,661	47,655,668	47,907,509	0.2	(0.3)
Other	109,753	125,840	138,000	(12.8)	(20.5)
Term loans and other lending.	36,366,783	35,977,524	33,280,783	1.1	9.3
Leasing	3,181,738	3,231,087	3,433,086	(1.5)	(7.3)
Doubtful assets	5,472,598	5,334,318	4,041,107	2.6	35.4
Total lending to customers	97,657,827	97,362,922	94,244,496	0.3	3.6

Risk Management Performance*

(Amounts in € thousand)

	31.03.10	31.03.09	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	5,511,516	3,042,612	2,468,904	81.1
Additions	965,368	2,434,161	(1,468,793)	(60.3)
Recoveries	628,628	932,508	(303,880)	(32.6)
Other changes	-	-	-	-
Net variation	336,740	1,501,653	(1,164,913)	(77.6)
% increase	6.1	49.4		
Writeoffs	(200,073)	(345,066)	144,993	(42.0)
Balance at 31 March	5,648,183	4,199,199	1,448,984	34.5

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



	31.03.10	31.03.09	Variation	
			Amount	%
Credit loss allowances:				
Balance at 1 January	2,770,486	2,221,902	548,584	24.7
Annual provision:				
Gross	654,764	643,085	11,679	1.8
Recoveries	(391,874)	(417,367)	25,493	(6.1)
Net	262,890	225,718	37,172	16.5
Other variations	(33,868)	(27,088)	(6,780)	25.0
Writeoffs	(175,697)	(279,122)	103,425	(37.1)
Balance at 31 March	2,823,811	2,141,410	682,401	31.9
Of which sub-standard risk provisions	592,181	306,760	285,421	93.0

	Specific	General	Country risk	Total
Balance at 1 January	1,916,847	850,508	3,131	2,770,486
Net provisions	359,416	(126,819)	(244)	232,353
Amount used	(175,697)	-	-	(175,697)
Other variations and transfers	(3,331)	-	-	(3,331)
Balance at 31 March	2,097,235	723,689	2,887	2,823,811

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

Risk Management Performance

(Amounts in € thousand)

	31.03.10	31.03.09	Variation	
			Amount	%
Risk quality measures (%):				
Total Risks	114,919,788	109,992,494	4,927,294	4.5
Nonperformance (Nonperforming loans/Total risks)	4.91	3.82	1.09	
Coverage (Credit loss allowance/Nonperforming loans)	50.00	51.00	(1.00)	
Credit risk premium	1.17	1.31	(0.14)	
Typical spread on lending to customers	2.69	3.08	(0.39)	

Coverage by type of non-performing balance:

Non-performing balances without mortgage guarantee	3,172,020
Provisions *	2,464,244
Non-performing balances with mortgage guarantee	2,476,163
Guarantees	4,646,797
Provisions	359,567
Total non-performing balances	5,648,183
Guarantees	4,646,797
Provisions	2,823,811

* Including general and sub-standard risk provision.

Asset impairment:

Financial assets.	294,156	304,015	(9,859)	(3.2)
Credit risk	262,909	295,490	(32,581)	(11.0)
Investments	31,247	8,525	22,722	>
Non-financial assets and property	119,948	139,950	(20,002)	(14.3)
Total.	414,104	443,965	(29,861)	(6.7)

* Of which, precautionary allowance provision at 31/03/2010: €82,898 thousand.

Solvency

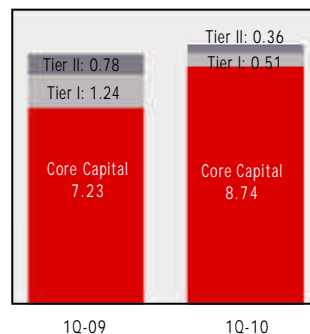
(Amounts in € thousand)

	31.03.10	31.12.09	31.03.09
Total core capital	8,047,223	7,937,633	6,638,320
Core capital (%)	8.74	8.57	7.23
Total Tier 1 Capital	8,511,458	8,456,479	7,768,382
Tier 1 ratio (%)	9.25	9.13	8.47
Total Tier 2 Capital	339,177	433,539	719,980
BIS computable capital	8,850,635	8,890,118	8,488,362
Capital cushion	1,485,845	1,484,165	1,147,804
BIS ratio (%)	9.61	9.60	9.25
Leverage ⁽¹⁾	14.36	16.17	16.32
<i>Memorandum item:</i>			
Total BIS risk-weighted assets ⁽²⁾	92,059,875	92,574,413	91,756,975

(1) Calculated with data from the end of each period.

(2) Including credit, exchange, market and operational risk.

Variation in capital ratios (%)



Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Balance at 31/12/2009	8,415,854	(15,649)	47,779	8,447,984
Variation in treasury stock	3,137	-	-	3,137
Gain on treasury stock transactions	(4,153)	-	-	(4,153)
Actuarial differences	93	-	-	93
Issuance and remuneration of mandatory convertible debentures	(10,871)	-	-	(10,871)
Consolidation operations (net)	11,341	-	(636)	10,705
Value adjustments	-	(9,608)	-	(9,608)
Net profit at 31 March 2010	204,016	-	2,918	206,934
Dividends paid in 2010	(99,986)	-	(11,738)	(111,724)
Balance at 31/03/2010	8,519,431	(25,257)	38,323	8,532,497

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	31.03.10	31.03.09	% variation	31.03.10	31.03.09	Variation
Interest and similar income	1,042,633	1,484,337	(29.8)	3.43	5.39	(1.96)
- Interest expense and similar charges	374,490	757,246	(50.5)	1.23	2.75	(1.52)
= Net interest income	668,143	727,091	(8.1)	2.20	2.64	(0.44)
+Return on equity instruments	2,384	1,714	39.1	0.01	0.01	-
+Share of results of entities accounted for using the equity method	(472)	54	-	-	-	-
+Fees and commissions, net	181,321	195,577	(7.3)	0.60	0.71	(0.11)
±Gains or losses on financial assets and liabilities (net)	34,331	50,138	(31.5)	0.11	0.18	(0.07)
+Exchange differences (net)	12,874	11,988	7.4	0.04	0.04	-
+Other operating income	67,674	77,122	(12.3)	0.22	0.28	(0.06)
- Other operating expenses	49,038	58,760	(16.5)	0.16	0.21	(0.05)
=Gross operating income	917,217	1,004,924	(8.7)	3.02	3.65	(0.63)
- Administrative expenses:	286,158	284,750	0.5	0.94	1.03	(0.09)
Personnel expenses	188,929	192,850	(2.0)	0.62	0.70	(0.08)
Other general administrative expenses	97,229	91,900	5.8	0.32	0.33	(0.01)
- Depreciation & amortisation	25,794	25,635	0.6	0.08	0.09	(0.01)
=Net operating income (Pre-provision profit)	605,265	694,539	(12.9)	1.99	2.53	(0.53)
- Provisioning expense (net)	(18,215)	(10,415)	74.9	(0.06)	(0.04)	(0.02)
- Credit risk asset impairment	262,909	295,490	(11.0)	0.87	1.08	(0.21)
- Impairment of other assets	151,195	148,475	1.8	0.50	0.54	(0.04)
±Gains/(Losses) on assets held for sale (net)	81,119	65,156	24.5	0.27	0.24	0.03
=Profit before tax	290,495	326,145	(10.9)	0.96	1.19	(0.23)
- Income tax	83,561	94,494	(11.6)	0.27	0.35	(0.07)
+Gains/losses on discontinued operations (net)	-	-	-	-	-	-
=Consolidated profit for the year	206,934	231,651	(10.7)	0.68	0.84	(0.16)
- Profit attributed to minority interests	2,918	6,890	(57.6)	0.01	0.02	(0.01)
=Profit attributed to the controlling company	204,016	224,761	(9.2)	0.67	0.82	(0.15)
Net return on risk-weighted assets (RORWA) (%)				0.90	1.01	(0.11)
Net return on equity (ROE) (%)				9.78	13.73	(3.95)
Operating efficiency ratio (%)				31.20	28.34	2.86
<i>In € million</i>						
Average total assets				121,572	110,167	11,405
Risk-weighted average total assets (RWA)				92,317	92,005	312
Average equity				8,344	6,549	1,795

Quarterly Consolidated Income

(Amounts in € thousand)

	2009				2010
	1st	2nd	3rd	4th	1st
Interest and similar income	1,484,337	1,280,934	1,206,852	1,086,945	1,042,633
- Interest expense and similar charges	757,246	590,820	504,540	383,909	374,490
= Net interest income	727,091	690,114	702,312	703,036	668,143
+ Return on equity instruments	1,714	1,646	2,041	2,370	2,384
+ Share of results of entities accounted for using the equity method	54	28	336	396	(472)
+ Fees and commissions, net	195,577	193,543	189,875	184,449	181,321
± Gains or losses on financial assets and liabilities (net)	50,138	130,716	62,634	112,680	34,331
+ Exchange differences (net)	77,122	62,502	58,685	87,734	67,674
+ Other operating income	58,760	47,951	49,661	74,590	49,038
- Other operating expenses	1,004,924	1,042,135	977,143	1,029,968	917,217
= Gross operating income	284,750	293,945	300,261	309,500	286,158
- Administrative expenses:					
Personnel expenses	91,900	97,719	98,170	108,614	97,229
Other general administrative expenses	25,635	25,424	25,666	27,361	25,794
- Depreciation & amortisation					
= Net operating income (Pre-provision profit)	694,539	722,766	651,216	693,107	605,265
- Provisioning expense (net)	(10,415)	(5,464)	(9,552)	11,953	(18,215)
- Credit risk asset impairment	295,490	412,689	386,605	425,253	262,909
- Impairment of other assets	148,475	178,595	78,929	234,326	151,195
± Gains/(Losses) on assets held for sale (net)	65,156	159,895	99,426	133,685	81,119
= Profit before tax	326,145	296,841	294,660	155,260	290,495
- Income tax	94,494	77,359	83,738	36,968	83,561
+ Gains/losses on discontinued operations (net)	-	-	-	-	-
= Consolidated profit for the year	231,651	219,482	210,922	118,292	206,934
- Profit attributed to minority interests	6,890	1,657	2,330	3,338	2,918
= Profit attributed to the controlling company	224,761	217,825	208,592	114,954	204,016

Quarterly Profitability

(Annualized % of ATA)

	2009				2010
	1st	2nd	3rd	4th	1st
Interest and similar income	5.39	4.50	4.14	3.65	3.43
- Interest expense and similar charges	2.75	2.08	1.73	1.29	1.23
= Net interest income	2.64	2.42	2.41	2.36	2.20
+ Return on equity instruments	0.01	0.01	0.01	0.01	0.01
+ Share of results of entities accounted for using the equity method	-	-	-	-	-
+ Fees and commissions, net	0.71	0.68	0.65	0.62	0.60
± Gains or losses on financial assets and liabilities (net)	0.18	0.46	0.21	0.38	0.11
+ Exchange differences (net)	0.04	0.04	0.04	0.05	0.04
+ Other operating income	0.28	0.22	0.20	0.29	0.22
- Other operating expenses	0.21	0.17	0.17	0.25	0.16
= Gross operating income	3.65	3.66	3.35	3.46	3.02
- Administrative expenses:	1.03	1.03	1.03	1.04	0.94
Personnel expenses	0.70	0.69	0.69	0.68	0.62
Other general administrative expenses	0.33	0.34	0.34	0.36	0.32
- Depreciation & amortisation	0.09	0.09	0.09	0.09	0.09
= Net operating income (Pre-provision profit)	2.53	2.54	2.23	2.33	1.99
- Provisioning expense (net)	(0.04)	(0.02)	(0.03)	0.04	(0.06)
- Credit risk asset impairment	1.08	1.45	1.32	1.43	0.87
- Impairment of other assets	0.54	0.63	0.27	0.79	0.50
± Gains/(Losses) on assets held for sale (net)	0.24	0.56	0.34	0.45	0.28
= Profit before tax	1.19	1.04	1.01	0.52	0.96
- Income tax	0.35	0.27	0.29	0.12	0.27
+ Gains/losses on discontinued operations (net)	-	-	-	-	-
= Consolidated profit for the year	0.84	0.77	0.72	0.40	0.68
- Profit attributed to minority interests	0,02	-	0.01	0.01	0.01
= Profit attributed to the controlling company	0,82	0.77	0.71	0.39	0.67
Net return on risk-weighted assets (RORWA) (%)	1.01	0.97	0.93	0.52	0.90
Net return on equity (ROE) (%)	13.73	13.24	12.32	5.91	9.78
Operating efficiency ratio (%)	28.34	28.21	30.73	30.05	31.20
<i>In € million</i>					
Average total assets	110,167	113,871	116,745	118,977	121,572
Risk-weighted average total assets (RWA)	92,005	90,627	90,271	91,688	92,317
Average equity	6,549	6,580	6,774	7,782	8,344

Yields and Costs

(Amounts in € thousand and rates annualized)

	31.03.10				31.03.09			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	6,672,237	5.49	8,893	0.53	6,380,919	5.79	36,238	2.27
Loans and discounts (a)	90,098,238	74.11	946,349	4.20	90,109,931	81.79	1,398,779	6.21
Securities portfolio	13,888,790	11.42	84,755	2.44	4,131,922	3.75	46,369	4.49
Other assets	10,912,446	8.98	2,636	0.10	9,543,931	8.67	2,951	0.12
Total earning assets (b)	121,571,711	100.0	1,042,633	3.43	110,166,703	100.0	1,484,337	5.39
Financial system	19,874,035	16.35	43,124	0.87	12,484,605	11.33	88,693	2.84
Customer funds (c)	56,282,122	46.30	200,986	1.43	51,320,961	46.58	356,740	2.78
Demand accounts	14,571,542	11.99	12,859	0.35	12,893,838	11.70	34,793	1.08
Savings and time deposits	41,710,580	34.31	188,127	1.80	38,427,123	34.88	321,947	3.35
Marketable debt securities & other interest-bearing liabilities	32,513,586	26.74	123,916	1.52	33,505,562	30.41	306,489	3.66
	293,610	0.24	6,464	8.81	285,270	0.26	5,324	7.47
Other funds	4,264,725	3.51	-	-	6,021,041	5.48	-	-
Equity	8,343,633	6.86	-	-	6,549,264	5.94	-	-
Total funds (d)	121,571,711	100.0	374,490	1.23	110,166,703	100.0	757,246	2.75
<i>Customer spread (a-c)</i>				2.77				3.43
<i>Spread (b-d)</i>				2.20				2.64

Quarterly Yields and Costs

(Data in % and rates annualized)

	2009								2010	
	1st		2nd		3rd		4th		1st	
	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate	Distribu tion	Rate
Financial system	5.79	2.27	5.63	1.03	3.61	1.01	5.13	0.71	5.49	0.53
Loans and discounts (a)	81.79	6.21	77.53	5.54	76.67	5.01	75.90	4.44	74.11	4.20
Securities portfolio	3.75	4.49	5.70	2.39	8.82	2.79	10.28	2.35	11.42	2.44
Other assets	8.67	0.01	11.14	0.01	10.90	0.00	8.69	0.01	8.98	0.10
Total earning assets (b)	100.00	5.39	100.00	4.50	100.00	4.14	100.00	3.65	100.00	3.43
Financial system	11.33	2.84	12.81	1.57	15.19	0.88	16.06	0.95	16.35	0.87
Customer funds (c)	46.58	2.78	45.90	2.24	44.94	1.96	46.00	1.58	46.30	1.43
Demand accounts	11.70	1.08	11.26	0.61	12.10	0.44	12.11	0.39	11.99	0.35
Savings and time deposits	34.88	3.35	34.64	2.76	32.84	2.52	33.89	2.00	34.31	1.80
Marketable debt securities & other interest-bearing liabilities	30.41	3.66	29.96	2.77	28.91	2.40	27.14	1.44	26.74	1.52
Otros pasivos con coste	0.26	7.47	0.25	7.49	0.24	7.69	0.23	9.07	0.24	8.81
Other funds	5.48	-	5.30	-	4.92	-	4.03	-	3.51	-
Equity	5.94	-	5.78	-	5.80	-	6.54	-	6.86	-
Total funds (d)	100.00	2.75	100.00	2.08	100.00	1.73	100.00	1.29	100.00	1.23
<i>Customer spread (a-c)</i>		<i>3.43</i>		<i>3.30</i>		<i>3.05</i>		<i>2.86</i>		<i>2.77</i>
<i>Spread (b-d)</i>		<i>2.64</i>		<i>2.42</i>		<i>2.41</i>		<i>2.36</i>		<i>2.20</i>

Net Fee and Commission Income

(Amounts in € thousand)

	31.03.10	31.03.09	% variation	Distribution (%)	
				2010	2009
Risk fees and commissions	52,568	64,674	(18.7)	29.0	33.0
Asset transaction services	23,691	35,290	(32.9)	13.1	18.0
Provision of collateral and other guarantees	28,877	29,384	(1.7)	15.9	15.0
Asset management fees and commissions	37,805	38,465	(1.7)	20.8	19.7
Securities portfolios	5,696	6,261	(9.0)	3.1	3.2
Mutual funds	20,365	20,938	(2.7)	11.2	10.7
Pension plans	11,744	11,266	4.2	6.5	5.8
Management service fees and commissions.	90,948	92,438	(1.6)	50.2	47.3
Collection and payment handling	42,265	46,478	(9.1)	23.3	23.8
Securities and foreign currency purchase and sale.	2,790	3,639	(23.3)	1.5	1.9
Demand account administration	24,223	22,590	7.2	13.4	11.5
Other	21,670	19,731	9.8	12.0	10.1
Total	181,321	195,577	(7.3)	100.0	100.0

Personnel and general expenses

(Amounts in € thousand)

	31.03.10	31.03.09	% variation	Distribution (%)	
				2010	2009
Personnel expenses:	188,929	192,850	(2.0)	66.0	67.7
Wages and salaries	141,233	144,458	(2.2)	49.3	50.7
Social security charges	34,247	35,077	(2.4)	12.0	12.3
Other personnel expenses	6,867	6,153	11.6	2.4	2.2
Pensions	6,582	7,162	(8.1)	2.3	2.5
General expenses:	97,229	91,900	5.8	34.0	32.3
Rents and common services	27,833	18,310	52.0	9.7	6.4
Communications	4,470	6,389	(30.0)	1.6	2.2
Maintenance of premises and equipment	7,190	6,585	9.2	2.5	2.3
IT and other technical expenses	17,596	18,234	(3.5)	6.2	6.4
Stationery and office supplies	1,940	1,678	15.6	0.7	0.6
Technical reports and legal expenses	5,209	4,852	7.4	1.8	1.7
Advertising and publicity	5,156	7,118	(27.6)	1.8	2.5
Insurance	1,238	1,094	13.2	0.4	0.4
Security and fund transport services	4,164	5,028	(17.2)	1.5	1.8
Travel	2,282	2,406	(5.2)	0.8	0.9
Property taxes, VAT and other	12,104	12,355	(2.0)	4.2	4.3
Other general expenses	8,047	7,851	2.5	2.8	2.8
Total	286,158	284,750	0.5	100.0	100.0

Market Performance of the Bank's Shares

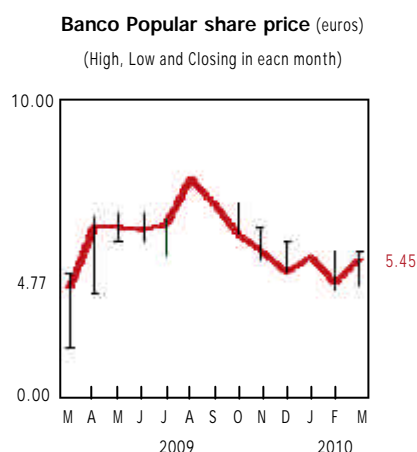
Market information

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2009 1st	1,235,741	747,715	60.50	6.79	3.21	4.77	0.1235	(19.5)
2nd	1,235,741	617,349	49.96	6.70	4.59	6.21	0.0800	31.9
3rd	1,265,852	769,185	60.76	7.62	5.51	6.85	0.1237 ⁽¹⁾	12.3
4th ⁽²⁾	1,265,852	578,737	45.72	6.90	5.11	5.13	0.0750	(24.0)
Year total	1,250,797	2,712,986	216.90	7.62	3.21	5.13	0.4022	(9.0)
2010 1st	1,265,852	739,774	58.44	5.96	4.67	5.45	0.0750	7.7

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

⁽¹⁾ Delivery of 1 share for each 50 shares. Excess shares are paid taking as a reference the weighted average price at the session on 25/06/2009, the day before the Shareholders Meeting at which this distribution was approved (€6.1862)

⁽²⁾ Excluding the second interim dividend out of 2009 earnings which was exceptionally paid in December for tax reasons.



Market ratios	31.03.10	31.03.09
Price / Book value	0.85	0.87
Price / Earnings (PE ratio)	9.40	6.45
Dividend return ⁽²⁾	5.50	10.36

* Calculated with the dividend paid in the first 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)
2009								
First quarter	18,580	35,520	10,116	20,060	1,235,741	747,715	1.50	2.48
Second quarter	24,714	31,960	12,451	28,614	1,235,741	617,349	2.00	4.00
Third quarter	9,599	31,280	1,618	9,045	1,333,151	769,185	0.72	1.25
Fourth quarter	18,429	23,585	9,596	23,230	1,333,151	578,737	1.38	3.18
2010								
First quarter	23,231	28,287	15,657	24,050 ⁽¹⁾	1,333,151	739,744	1.74	3.14

* Calculated on average treasury stock held in the quarter.

⁽¹⁾ 19 million of these shares will be used for payment of the fourth final dividend.

Basis of presentation and accounting principles and standards

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

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

Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 15 to the 2009 consolidated financial statements, which included most notably the following:

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

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

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

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

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

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

B) Income:

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

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

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

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

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

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

Disclaimer

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

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