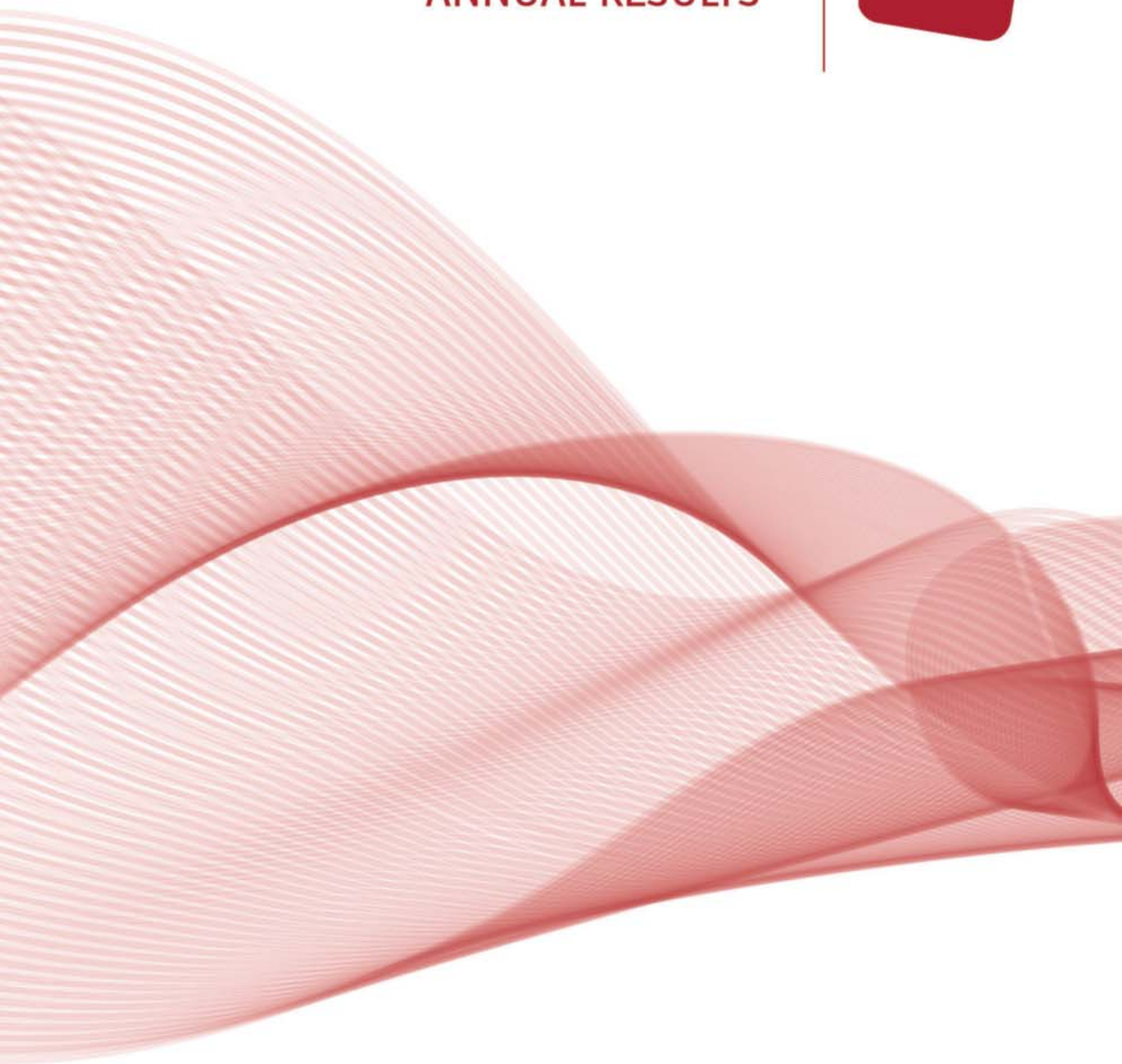


# 2011 ANNUAL RESULTS



## Highlights

(Amounts in € thousand)	31.12.11	31.12.10	Var. %
<b>Business volume</b>			
Total assets managed	143,388,808	143,205,926	0.1
On-balance sheet total assets	130,925,703	130,139,846	0.6
Own funds	9,124,148	8,775,632	4.0
Customer funds ex repos	61,285,497	60,581,628	1.2
Lending to customers (gross)	98,872,768	98,212,602	0.7
<b>Solvency</b>			
Core capital(%)	10.04	9.43	
Tier 1 (%)	10.04	9.67	
BIS ratio	10.18	9.76	
Leverage	14.84	14.55	
<b>Risk management</b>			
Total risks	122,301,714	114,793,415	6.5
Non-performing loans	7,323,272	6,055,019	20.9
Allowances for credit losses	2,530,076	2,448,164	3.3
% nonperforming ratio	5.99	5.27	
% coverage of non-performing and written-off loans	55.75	59.14	
% coverage of non-performing and not written-off loans	34.55	40.43	
% coverage with guarantees	97.72 <sup>(1)</sup>	95.65	
<b>Earnings</b>			
Net interest income	2,086,911	2,431,896	(14.2)
Gross operating income	2,996,634	3,397,622	(11.8)
Profit before provisions	1,627,478	2,094,754	(22.3)
Profit before tax	444,141	778,759	(43.0)
Consolidated profit for the year	483,976	592,678	(18.3)
Net profit attributed to the Group	479,653	590,163	(18.7)
<b>Net return and efficiency</b>			
Average total assets	128,338,961	123,319,069	4.1
Average total equity	8,738,504	8,282,213	5.5
ROA (%)	0.38	0.48	
ROE (%)	5.49	7.13	
Operating efficiency (%)	42.15	35.52	
<b>Per share data</b>			
Final number of shares fully diluted (thousands)	1,639,403 <sup>(2)</sup>	1,472,481	11.3
Average number of shares diluted (thousands)	1,599,741 <sup>(2)</sup>	1,418,505	12.8
Share closing market price (€)	3.52	3.84	(8.3)
Market capitalization	5,770,699 <sup>(3)</sup>	5,281,094	9.3
Book value per share(€)	5.57	6.07	(8.3)
Net earnings per share (€)	0.300 <sup>(2)</sup>	0.416	(27.9)
Dividend per share paid in the period (€)	0.200	0.309	(35.3)
Price/Book value	0.63	0.64	
Price/Earnings (annualized)	11.73	9.19	
<b>Other data</b>			
Shareholders	149,618	147,943	1.1
Employees	14,062	14,129	(0.5)
Spain	12,234	12,291	(0.5)
Men	8,248	8,325	(0.9)
Women	3,986	3,966	0.5
Abroad	1,828	1,838	(0.5)
Men	1,124	1,132	(0.7)
Women	704	706	(0.3)
Branches	2,203	2,224	(0.9)
Spain	1,967	1,972	(0.3)
Abroad	236	252	(6.3)
ATMs	2,811	2,927	(4.0)

(1) Risk coverage ratio including the value guarantees after application of the discounts defined in Appendix IX of Bank of Spain Circular 4/2004.

(2) Including 96,428 thousand of debentures necessarily convertible in October 2013 and 143,678 convertible in December 2013. Net profit not adjusted for the coupon payment of the MCN December 2013.

(3) Including the necessarily convertible debentures.

The Group's consolidated financial statements at 31 December 2011, the audit of which is being finalised, 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 2011 saw confirmation of the fact that the sovereign debt crisis may be classified as systemic. Neither the decisions adopted by the EU authorities in October nor the measures of the governments of peripheral countries to reduce their fiscal deficit were successful in improving the view of the markets, which have scant confidence in the EU's ability to establish European governance and in the ability of the states with most impaired accounts to face up to a new period of economic recession.

In this context of severe pessimism and with very few signs of improvement in the liquidity situation of the system, the ECB took exceptional measures during the final months of the year, cutting the intervention and marginal interest rates for deposits and loans. It also expanded and lengthened auction terms. This latter measure served to relax to a certain extent the spreads on public debt, although it is still under strong stress, as reflected in the risk premiums of the peripheral countries.

On the domestic front, the worst expectations about growth and budget deficit were confirmed and the unemployment figures continued their upward rate of increase. Credit shrank and lending continued to deteriorate. The restructuring of the financial sector continued slowly with new consolidation operations, although there are still many aspects to be resolved.

In this context of strong challenges for the sector, Banco Popular maintained its priorities intact, focused on three key aspects:

- reinforcing capital without renouncing improvement of its market share;
- maintaining a sufficient second liquidity line to address the maturities of wholesale funding in the coming years;
- maintaining its leadership position in profitability.

As regards the first point, the core capital ratio calculated in accordance with current criteria stood at year end at 10.04%, compared with 9.43% at the end of 2010 and 9.76% at the end of September 2011. The Tier 1 ratio was 10.04%, 37 basis points higher than December 2010 and 28 basis points higher than that in September 2011. This increase was due to the earnings generated in the quarter and to the Bank's ongoing effort to improve the management of its risk-weighted assets (RWA) by updating accounting processes and thereby reducing transitory balances, and by enhancing the guarantees and management systems for these guarantees.

Also, the Bank has designed and notified to the European Banking Authority (EBA) its "recapitalisation" plan to reach the 9% "tier one capital" ("EBA capital") required of European systemic institutions, which include Banco Popular.

As explained on previous occasions, the EBA has not considered as computable the issues of necessarily convertible debentures and has demanded additional capital on a temporary basis for the latent losses in public debt positions. It has also included certain deductions in the computable equity which are different from those included in current Spanish regulations and in Basel III.

After completion of the public Banco Pastor share purchase offering, foreseeably at the end of February 2012, Banco Popular will gradually apply its plan to meet the EBA requirements before 30 June 2012.

These plans include the need to transform the necessarily convertible debentures and other current issues into instruments that are computable for this ratio, to retain most of the expected profit for the upcoming quarters, with the possible use of sundry formulas for dividend distribution and to continue managing the RWA on the lines which were followed in the fourth quarter of 2011.

With regard to liquidity, the second of the priorities mentioned earlier, the Bank works day by day to reduce its dependence on wholesale markets. Thus its LTD ratio was successfully decreased by one percentage point in the year down to 135%. It is noteworthy that in two years the reduction of the commercial gap has led to a decrease of 14 percentage points in this ratio.

At year end, Banco Popular had a second liquidity line available for discount of over €11,000 million, representing 1.8 times the maturities of 2012 (€6,000 million), of which €1,990 million correspond to covered mortgage bonds which can be reissued at maturity and pass to the second liquidity line. If to this second liquidity line is added the Bank's ability to issue guaranteed debt, the proportion rises to 2.4 times the 2012 maturities. The second liquidity line plus the Group's additional capability of issuing guaranteed debt, amounting to €16,600 million, comfortably covers all maturities to beyond 2014, of which 57% relate to covered mortgage bonds.

Also noteworthy was the fact that in 2011 the Bank successfully took advantage of the scant windows of opportunity that arose to issue €1,650 million of covered bonds and €500 million of senior debt.

As explained earlier, the objective of constant solvency strengthening must be achieved by the organic generation of earnings and optimisation of capital management without detriment to growth. Thus, in a context of stagnation, lending to customers improved by 0.7% year on year, reflected in the 14 basis points market share increase, comparing November 2011 (latest sector information available) with November 2010, to stand at 4.57%.

Retail liabilities also grew by 1.2% with respect to December 2010, increasing the market share by 9 basis points to 4.02%, comparing November 2011 (latest available data) with November 2010.

As regards the third objective, that of profitability, Banco Popular maintained its leadership in the sector with a 1.63% margin of interest on average total assets and a 2.18% customer spread; both these data relate to the fourth quarter of 2011. Noteworthy was the improvement of 4 basis points in the interest margin over the third quarter, and of the yield of 4.41% on lending (4.29% in the third quarter) well above that of the comparable banks.

Despite maintaining very high standards of profitability, there is no doubt that 2011 exerted downward pressure on margins for two fundamental reasons: the rises in rates for much of the year, albeit with mismatches in the speed of application to assets and liabilities; and the sharp impairment of the differentials of wholesale and retail funding. Re this latter point, noteworthy was the sharp competition among banks in a scenario of lack of liquidity.

Thus, the net interest income was down by 14% year on year but perked up by 2.3% with respect to the third quarter, considered alone, thanks to the upward repricing of the loan portfolio and the start of the fall in interest rates which passes rapidly to wholesale funding.

Gross operating income was down by 11.8% in 2011, a decrease of €401 million before taxes.

In addition to the net interest income, as explained above, noteworthy was the good performance of fees and commissions which were 1.6% up on the same period of the prior year as a consequence of the increase in bank charges and despite the poor performance of fees and commissions related to asset management which were sharply penalised by the falls in indexes and strong aversion to risk.

The results on financial asset and liability transactions worsened and fell by 43.9% compared to the previous year as a result of the lower volume of repurchases of proprietary issues.

As regards expenses, the upward trend of general expenses continued with a 5% rise over the previous year, basically for technology investments, advertising and VAT, and the control of personnel expenses, which were flat during the year.

Banco Popular maintained its leadership position in efficiency and the efficiency ratio at December end was 42%, much more favourable than that of all other banks in Spain.

The outcome of all the above was that the pre-provision profit of €1,627 million at year end was €468 million lower than at the end of 2010, a decline of 22%. Despite this fall, the ratio of pre-provision profit to lending was again the highest of all Spanish banks.

As regards provisions, noteworthy was the decrease in specific provisions for financial asset impairment from €1,232 million in 2010 to €952 million in 2011, a decrease of €280 million and this despite the lower release of the general allowance (€215 million in 2011 compared to €522 million in 2010). As a result, the credit risk premium fell from 1.21% in 2010 to 1.00% in 2011. Eliminating the impact of the release from general allowance in both periods, the premium fell from 1.73% to 1.21%, indicating the lower requirements for credit provisions despite the booking of extraordinary allocations of €141 million in 2011 and €164 million in 2010.

The lower requirements for credit provisions were the result of the better quality of the new additions to non-performing balances thanks to the previously mentioned effort to broaden the guarantees on the transactions. Moreover, the increasing speed of recovery of bad debts was maintained and the figure of €148 million achieved in 2011 was €28 million higher than that for 2010.

The non-performing ratio stayed relatively stable compared with the third quarter and stood at 5.99% at year end as compared with 5.85% at September end (5.27% at December 2010). Net non-performing additions amounted to €2,162 million in 2011 compared with €1,819 million in 2010 as a result of an upturn in the third quarter arising from a lower rate of recovery which at year end was above 50%.

It is still early days to expect an improvement in the performance of doubtful balances, although Banco Popular widened its difference with respect to the sector average (7.51% in November, latest available figure, signifying 152 basis points of difference compared with 55 basis points at December 2010).

As regards provisions for property and other items, allocations of €738 million were booked in 2011 compared with €602 million in 2010, and advance provisions of €325 million were set up in the first quarter of the year.

The total credit and property provisions booked in the year therefore amounted to €1,690 million compared with €1,834 million in 2010.

The capital gains obtained in the first quarter of the year on the joint venture with Allianz, amounting to €466 million, plus other gains on property sales, gave a total of €504 million, making it possible to cover a considerable portion of the provisions booked for property; allocations to extraordinary and accelerated provisions amounted to €466 million (€141 million for credit and €325 million for property).

Thus, the specific, general and written-off assets allowances amounted in December 2011 to €6,038 million with post-Bank of Spain haircut adjusted guarantees of €4,546 million, signifying a coverage of 97.72% compared with 95.65% at 2010 year end. Excluding the guarantees the coverage would be 55.75%.

The coverage of properties stood at 34%, as compared with 29% at December 2010.

2011 was also a year of highly relevant corporate operations. As regards the Banco Pastor transaction, the pre-integration process is proceeding very satisfactorily while awaiting the end of the offering acceptance period. It is considered that the process will be relatively simple because of the similar commercial and management cultures. The initial forecasts of profit and synergy contribution have been confirmed.

A new strategic agreement has also been reached with Allianz for the formation of Allianz Popular, with the consequent firming up of the cooperation agreements signed and implemented since 1988 and the Targobank name has been adopted as the brand name for the bank arising from the joint venture with Crédit Mutuel.

The outlook for 2012 is uncertain. The new government is preparing measures for labour, tax and financial reform. Further writedowns of property-related assets will foreseeably be necessary, but their impact is as yet unknown. Banco Popular is one of the banks with the highest pre-provision profit margin and core capital in the sector, and is among the banks with the greatest ability to face up to this new challenge and those which in all probability will arise in the near future.

## Balance Sheet

(Amounts in € thousand )

	31.12.11	31.12.10	% variation
<b>Assets</b>			
Cash and balances with central banks	522,205	682,814	(23.5)
Financial assets held for trading	1,316,564	1,231,424	6.9
Other financial assets at fair value through profit or loss	377,504	464,775	(18.8)
Investment portfolio	17,974,161	16,570,211	8.5
Loans and receivables	100,741,920	102,087,079	(1.3)
Loans and advances to other debtors	96,771,099	96,032,311	0.8
Other loans and receivables	3,970,821	6,054,768	(34.4)
Of which interbank deposits	590,536	371,786	58.8
Changes in the fair value of hedged items in portfolio			
hedges of interest rate risk	19,546	-	
Hedging derivatives	1,092,040	1,038,301	5.2
Non-current assets held for sale	3,601,723	3,100,790	16.2
Investments	595,184	168,752	>
Insurance contracts linked to pensions	141,809	161,428	(12.2)
Reinsurance assets	3,033	3,530	(14.1)
Tangible assets	1,734,231	1,890,474	(8.3)
Intangible assets	649,131	657,079	(1.2)
Tax assets	1,212,610	1,025,485	18.3
Other assets	944,042	1,057,704	(10.8)
<b>Total Assets</b>	<b>130,925,703</b>	<b>130,139,846</b>	<b>0.6</b>
<b>Liabilities</b>			
Financial liabilities held for trading	1,104,323	1,160,739	(4.9)
Other financial liabilities at fair value through profit or loss	93,761	128,453	(27.0)
Financial liabilities at amortised cost:	118,279,831	117,435,427	0.7
Liabilities of credit institutions	25,330,275	12,649,746	>
Of which interbank deposits	3,496,413	4,608,272	(24.1)
Deposits from other creditors	68,742,520	79,383,524	(13.4)
Debt certificates including bonds	20,448,938	21,850,829	(6.4)
Subordinated liabilities	2,834,927	2,381,317	19.0
Other financial liabilities	923,171	1,170,011	(21.1)
Hedging derivatives	1,414,056	764,140	85.1
Insurance contract liabilities	571,109	1,090,567	(47.6)
Provisions for contingent exposures	281,552	342,074	(17.7)
Tax liabilities	279,630	443,979	(37.0)
Other liabilities	513,217	522,148	(1.7)
<b>Total liabilities</b>	<b>122,537,479</b>	<b>121,887,527</b>	<b>0.5</b>
<b>Equity</b>			
Total equity	9,124,148	8,775,632	4.0
Capital, reserves and retained earnings	8,712,914	8,352,744	4.3
Profit or loss for the period	479,653	590,163	(18.7)
Dividends paid and declared	(68,419)	(167,275)	(59.1)
Valuation adjustments	(841,923)	(572,365)	47.1
Minority interests	105,999	49,052	>
<b>Net asset value</b>	<b>8,388,224</b>	<b>8,252,319</b>	<b>1.6</b>
<b>Total liabilities and equity</b>	<b>130,925,703</b>	<b>130,139,846</b>	<b>0.6</b>

## Funds Managed

(Amounts in € thousand)

	31.12.11	31.12.10	% variation
Customer deposits			
General government .....	1,265,191	9,284,684	(86.4)
Other private sectors .....	57,509,905	57,094,212	0.7
Residents .....	50,092,127	50,141,587	(0.1)
Nonresidents .....	7,417,778	6,952,625	6.7
Valuation adjustments (+/-) .....	309,522	328,698	(5.8)
Subtotal customer deposits .....	59,084,618	66,707,594	(11.4)
Deposits at central counterparty entities .....	9,657,902	12,675,930	(23.8)
Total customer deposits .....	68,742,520	79,383,524	(13.4)
Unadjusted debt certificates including bonds:	19,752,083	21,256,428	(7.1)
Bonds and other securities outstanding .....	17,318,165	19,254,910	(10.1)
Commercial paper .....	2,433,918	2,001,518	21.6
Valuation adjustments (+/-) .....	696,855	594,401	17.2
Total debt certificates including bonds .....	20,448,938	21,850,829	(6.4)
Subordinated liabilities .....	2,834,927	2,381,317	19.0
<b>Total on-balance sheet funds (a) .....</b>	<b>92,026,385</b>	<b>103,615,670</b>	<b>(11.2)</b>
Mutual funds .....	6,138,586	6,643,054	(7.6)
Asset portfolio management .....	771,063	936,562	(17.7)
Pension funds .....	4,098,518	4,128,743	(0.7)
Insurance premium .....	1,454,938	1,357,721	7.2
<b>Total other intermediated funds (b) .....</b>	<b>12,463,105</b>	<b>13,066,080</b>	<b>(4.6)</b>
<b>Total funds managed (a+b) .....</b>	<b>104,489,490</b>	<b>116,681,750</b>	<b>(10.4)</b>

## Customer deposits

(Amounts in € thousand)

	31.12.11	31.12.10	% variation
Demand deposits .....	19,287,178	20,143,975	(4.3)
Time deposits .....	38,648,677	38,452,147	0.5
Asset repos .....	394,887	7,396,910	(94.7)
Other accounts and valuation adjustments .....	753,876	714,562	5.5
<b>Subtotal customer deposits .....</b>	<b>59,084,618</b>	<b>66,707,594</b>	<b>(11.4)</b>
Marketable securities distributed through the branch network (*) .....	2,595,766	1,270,944	>
Asset repos .....	(394,887)	(7,396,910)	(94.7)
<b>Total customer funds ex repos .....</b>	<b>61,285,497</b>	<b>60,581,628</b>	<b>1.2</b>

(\*) Including preferred shares and commercial paper distributed through the branch network.

## Lending to customers

(Amounts in € thousand)

	31.12.11	31.12.10	% variation
Lending to general government . . . . .	1,211,994	568,856	>
Lending to other private sectors . . . . .	97,063,105	97,469,595	(0.4)
Residents . . . . .	86,263,289	87,902,605	(1.9)
Nonresidents . . . . .	10,799,816	9,566,990	12.9
<b>Total lending to customers . . . . .</b>	<b>98,275,099</b>	<b>98,038,451</b>	<b>0.2</b>
Other loans . . . . .	597,669	174,151	>
<b>Total credit to customers and others . . . . .</b>	<b>98,872,768</b>	<b>98,212,602</b>	<b>0.7</b>
Valuation adjustments (+/-) . . . . .	(2,101,669)	(2,180,291)	(3.6)
<b>Total . . . . .</b>	<b>96,771,099</b>	<b>96,032,311</b>	<b>0.8</b>

## Lending to customers by type

(Amounts in € thousand)

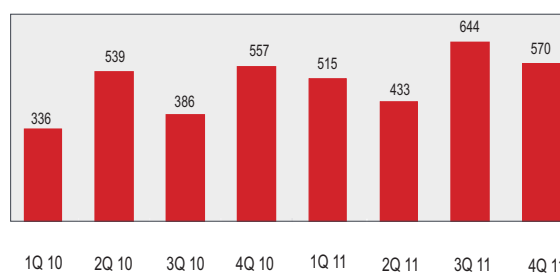
	31.12.11	31.12.10	% variation
Trade loans and discounts . . . . .	4,304,512	4,439,317	(3.0)
Secured loans . . . . .	49,076,376	48,895,689	0.4
Mortgage . . . . .	47,222,458	47,744,092	(1.1)
Other . . . . .	1,853,918	1,151,597	61.0
Repos . . . . .	6,210,245	6,987,608	(11.1)
Term loans and other lending . . . . .	29,464,867	29,100,473	1.3
Leasing . . . . .	2,749,935	2,963,106	(7.2)
Doubtful assets . . . . .	7,066,833	5,826,409	21.3
<b>Total lending to customers . . . . .</b>	<b>98,872,768</b>	<b>98,212,602</b>	<b>0.7</b>

## Risk Management Performance\*

(Amounts in € thousand )

	31.12.11	31.12.10	variation	
			Amount	%
<b>Nonperforming loans:</b>				
Balance at 1 January	6,055,019	5,511,516	543,503	9.9
Additions	4,278,997	4,351,237	(72,240)	(1.7)
Recoveries	2,117,129	2,531,994	(414,865)	(16.4)
Other changes	-	-	-	-
Net variation	2,161,868	1,819,243	342,625	18.8
% increase	35.7	33.0		
Writeoffs	(893,615)	(1,275,740)	382,125	(30.0)
Balance at 31 December	7,323,272	6,055,019	1,268,253	20.9

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



	31.12.11	31.12.10	variation	
			Amount	%
<b>Credit loss allowances:</b>				
Balance at 1 January	2,448,164	2,770,486	(322,322)	(11.6)
Annual provision:				
Gross	2,459,381	3,542,719	(1,083,338)	(30.6)
Recoveries	(1,402,190)	(2,427,238)	1,025,048	(42.2)
Net	1,057,191	1,115,481	(58,290)	(5.2)
Other variations	(105,948)	(253,938)	147,990	(58.3)
Writeoffs	(869,331)	(1,183,865)	314,534	(26.6)
Balance at 31 December	2,530,076	2,448,164	81,912	3.3
Of which sub-standard risk provisions	803,290	771,770	31,520	4.1

	Specific	General	Country risk	Total
Balance at 1 January	2,117,794	328,974	1,396	2,448,164
Net provisions	1,271,945	(215,437)	683	1,057,191
Amount used	(869,331)	-	-	(869,331)
Other variations and transfers	(105,948)	-	-	(105,948)
Balance at 31 December	2,414,460	113,537	2,079	2,530,076

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

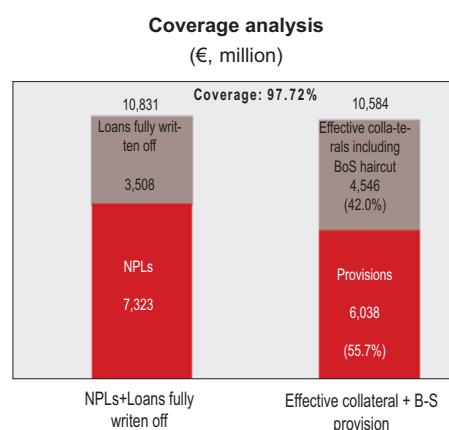
## Risk Management Performance

(Amounts in € thousand )

	31.12.11	31.12.10	variation	
			Amount	%
<b>Risk quality measures (%):</b>				
Total Risks . . . . .	122,301,714	114,793,415	7,508,299	6.5
Nonperformance (Nonperforming loans/Total risks) . . . . .	5.99	5.27	0.72	
Credit risk premium . . . . .	1.00	1.21	(0.21)	
Typical spread on lending to customers . . . . .	1.72	2.29	(0.57)	

### Coverage by type of non-performing balance:

Non-performing balances without mortgage guarantee or pledge guarantee . . . . .	1,925,353
Non-performing balances with mortgage guarantee or pledge guarantees . . . . .	5,397,919
Value of guarantees (including haircuts) . . . . .	4,546,294
Total non-performing balances . . . . .	7,323,272
Loans fully written off . . . . .	3,508,119
Non-performing balances+Loans fully written off . . . . .	10,831,391
Total value of guarantees (*). . . . .	4,546,294
Provisions for insolvency . . . . .	2,530,076
Provisions for insolvency with written-off balances. . . . .	6,038,195
% Coverage for non-performing and written-off balances. . . . .	55.75
% Coverage for non-performing balances excl. written-off balances . . . . .	34.55
% Coverage with guarantees. . . . .	97.72



(\*) Does not include written-off loan guarantees.

<b>Asset impairment:</b>	31.12.11	31.12.10		
<b>Financial assets</b> . . . . .	<b>952,338</b>	<b>1,232,133</b>	<b>(279,795)</b>	<b>(22.7)</b>
Credit risk and provisioning . . . . .	922,126	1,062,943	(140,817)	(13.3)
Of which: bad debts recoverd . . . . .	148,254	120,211	28,043	23.3
Investments . . . . .	30,212	169,190	(138,978)	(82.1)
<b>Non-financial assets and property</b> . . . . .	<b>737,852</b>	<b>601,751</b>	<b>136,101</b>	<b>22.6</b>
<b>Total</b> . . . . .	<b>1,690,190</b>	<b>1,833,884</b>	<b>(143,694)</b>	<b>(7.8)</b>

## Solvency

(Amounts in € thousand)

Basilea II	31.12.11	31.12.10
<b>Total core capital</b> .....	<b>8,852,679</b>	<b>8,839,396</b>
Core capital (%) .....	10.04	9.43
<b>Total Tier 1 Capital</b> .....	<b>8,852,679</b>	<b>9,069,691</b>
Tier 1 ratio (%) .....	10.04	9.67
<b>BIS computable capital</b> .....	<b>8,980,084</b>	<b>9,147,497</b>
Capital cushion .....	1,925,586	1,647,724
BIS ratio (%) .....	10.18	9.76
Leverage <sup>(1)</sup> .....	14.84	14.55
Memorandum item:		
Total BIS risk-weighted assets <sup>(2)</sup> .....	88,181,225	93,747,163

<sup>(1)</sup> Calculated with data from the end of each period.

<sup>(2)</sup> Including credit, exchange, market and operational risk.

## Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net asset value
<b>Balance at 31/12/2010</b> .....	<b>8,775,632</b>	<b>(572,365)</b>	<b>49,052</b>	<b>8,252,319</b>
Capital increase .....	(37,146)	-	-	(37,146)
Variation in treasury stock .....	(35,458)	-	-	(35,458)
Gain on treasury stock transactions .....	(5,723)	-	-	(5,723)
Actuarial differences .....	18,996	-	-	18,996
Remuneration of mandatory convertible debentures .....	(42,465)	-	-	(42,465)
Consolidation operations and other (net) .....	6,617	-	(537)	6,080
Corporate operations .....	32,461	-	67,471	99,932
Value adjustments .....	-	(269,558)	(2,549)	(272,107)
Net profit at 31 December 2011 .....	479,653	-	4,323	483,976
Dividends paid in 2011 .....	(68,419)	-	(11,761)	(80,180)
<b>Balance at 31/12/2011</b> .....	<b>9,124,148</b>	<b>(841,923)</b>	<b>105,999</b>	<b>8,388,224</b>

## Consolidated income and profitability

	(Amounts in € thousand )			(Annualized % of ATA)		
	31.12.11	31.12.10	%	31.12.11	31.12.10	variation
Interest and similar income . . . . .	4,580,521	4,145,771	10.5	3.57	3.36	0.21
- Interest expense and similar charges . . . . .	2,493,610	1,713,875	45.5	1.94	1.39	0.55
<b>= Net interest income . . . . .</b>	<b>2,086,911</b>	<b>2,431,896</b>	<b>(14.2)</b>	<b>1.63</b>	<b>1.97</b>	<b>(0.34)</b>
+ Return on equity instruments . . . . .	8,495	9,633	(11.8)	0.01	0.01	-
+ Share of results of entities accounted for using the equity method . . . . .	46,068	46,756	(1.5)	0.03	0.04	(0.01)
+ Fees and commissions, net . . . . .	685,532	674,844	1.6	0.53	0.55	(0.02)
± Gains or losses on financial assets and liabilities (net) . . . . .	81,479	145,229	(43.9)	0.06	0.12	(0.06)
+ Exchange differences (net) . . . . .	47,745	53,699	(11.1)	0.04	0.04	-
± Other operating results (net) . . . . .	40,404	35,565	13.6	0.03	0.03	-
<b>= Gross operating income . . . . .</b>	<b>2,996,634</b>	<b>3,397,622</b>	<b>(11.8)</b>	<b>2.33</b>	<b>2.76</b>	<b>(0.43)</b>
- Administrative expenses:	1,262,965	1,206,669	4.7	0.98	0.98	-
Personnel expenses . . . . .	778,756	778,266	0.1	0.60	0.63	(0.03)
Other general administrative expenses . . . . .	484,209	428,403	13.0	0.38	0.35	0.03
- Depreciation & amortisation . . . . .	106,191	96,199	10.4	0.08	0.08	-
<b>= Net operating income (Pre-provision profit)</b>	<b>1,627,478</b>	<b>2,094,754</b>	<b>(22.3)</b>	<b>1.27</b>	<b>1.70</b>	<b>(0.43)</b>
- Financial asset impairment and provisioning . . . . .	952,338	1,232,133	(22.7)	0.74	1.00	(0.26)
- Impairment of other assets . . . . .	737,852	601,751	22.6	0.57	0.49	0.08
± Gains/(Losses) on assets sales (net) . . . . .	506,853	517,889	(2.1)	0.39	0.42	(0.03)
<b>= Profit before tax . . . . .</b>	<b>444,141</b>	<b>778,759</b>	<b>(43.0)</b>	<b>0.35</b>	<b>0.63</b>	<b>(0.28)</b>
- Income tax . . . . .	(39,835)	206,372	-	(0.03)	0.17	(0.20)
+ Gains/losses on discontinued operations (net) . . . . .	-	20,291	(100.0)	-	0.02	(0.02)
<b>= Consolidated profit for the year . . . . .</b>	<b>483,976</b>	<b>592,678</b>	<b>(18.3)</b>	<b>0.38</b>	<b>0.48</b>	<b>(0.10)</b>
- Profit attributed to minority interests . . . . .	4,323	2,515	71.9	-	-	-
<b>= Profit attributed to the controlling company . . . . .</b>	<b>479,653</b>	<b>590,163</b>	<b>(18.7)</b>	<b>0.38</b>	<b>0.48</b>	<b>(0.10)</b>
Net return on risk-weighted assets (RORWA) (%) . . . . .				0.54	0.65	(0.11)
Net return on equity (ROE) (%) . . . . .				5.49	7.13	(1.64)
Operating efficiency ratio (%) . . . . .				42.15	35.52	6.63
In € million						
Average total assets . . . . .				128,339	123,319	5,020
Risk-weighted average total assets (RWA) . . . . .				89,671	93,319	(3,648)
Average equity . . . . .				8,739	8,282	457

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## Quarterly Consolidated Income

(Amounts in € thousand )

	2011			
	1st	2nd	3rd	4th
Interest and similar income .....	1,073,594	1,130,812	1,180,778	1,195,337
- Interest expense and similar charges .....	558,142	601,272	665,755	668,441
<b>= Net interest income .....</b>	<b>515,452</b>	<b>529,540</b>	<b>515,023</b>	<b>526,896</b>
+ Return on equity instruments .....	1,905	1,930	1,094	3,566
+ Share of results of entities accounted for using the equity method .....	11,649	10,709	13,835	9,875
+ Fees and commissions, net .....	171,619	178,638	164,797	170,478
± Gains or losses on financial assets and liabilities (net) .....	23,589	13,116	24,473	20,301
+ Exchange differences (net) .....	10,958	9,792	14,044	12,951
± Other operating results (net) .....	40,635	1,502	(3,200)	1,467
<b>= Gross operating income .....</b>	<b>775,807</b>	<b>745,227</b>	<b>730,066</b>	<b>745,534</b>
- Administrative expenses:	297,686	312,925	314,716	337,638
Personnel expenses .....	189,852	197,322	194,103	197,479
Other general administrative expenses .....	107,834	115,603	120,613	140,159
- Depreciation & amortisation .....	28,068	24,752	26,043	27,328
<b>= Net operating income (Pre-provision profit) .....</b>	<b>450,053</b>	<b>407,550</b>	<b>389,307</b>	<b>380,568</b>
- Financial asset impairment and provisioning .....	408,560	169,441	189,782	184,555
- Impairment of other assets .....	426,994	94,631	93,099	123,128
± Gains/(Losses) on assets sales (net) .....	497,698	5,058	1,476	2,621
<b>= Profit before tax .....</b>	<b>112,197</b>	<b>148,536</b>	<b>107,902</b>	<b>75,506</b>
- Income tax .....	(76,858)	30,765	7,459	(1,201)
+ Gains/losses on discontinued operations (net) .....	-	-	-	-
<b>= Consolidated profit for the year .....</b>	<b>189,055</b>	<b>117,771</b>	<b>100,443</b>	<b>76,707</b>
- Profit attributed to minority interests .....	3,352	(1,951)	1,821	1,101
<b>= Profit attributed to the controlling company .....</b>	<b>185,703</b>	<b>119,722</b>	<b>98,622</b>	<b>75,606</b>

	2010			
	1st	2nd	3rd	4th
Interest and similar income .....	1,038,542	1,015,972	1,028,340	1,062,917
- Interest expense and similar charges .....	375,178	403,114	424,659	510,924
<b>= Net interest income .....</b>	<b>663,364</b>	<b>612,858</b>	<b>603,681</b>	<b>551,993</b>
+ Return on equity instruments .....	2,384	5,508	402	1,339
+ Share of results of entities accounted for using the equity method .....	11,728	11,772	11,996	11,260
+ Fees and commissions, net .....	162,899	177,063	165,513	169,369
± Gains or losses on financial assets and liabilities (net) .....	34,062	27,437	45,797	37,933
+ Exchange differences (net) .....	12,874	14,290	12,450	14,085
± Other operating results (net) .....	13,368	23,250	5,316	(6,369)
<b>= Gross operating income .....</b>	<b>900,679</b>	<b>872,178</b>	<b>845,155</b>	<b>779,610</b>
- Administrative expenses:	283,482	299,211	302,102	321,874
Personnel expenses .....	187,468	194,449	198,172	198,177
Other general administrative expenses .....	96,014	104,762	103,930	123,697
- Depreciation & amortisation .....	25,763	21,856	21,996	26,584
<b>= Net operating income (Pre-provision profit) .....</b>	<b>591,434</b>	<b>551,111</b>	<b>521,057</b>	<b>431,152</b>
- Financial asset impairment and provisioning .....	275,941	343,369	421,422	191,401
- Impairment of other assets .....	119,948	68,118	271,278	142,407
± Gains/(Losses) on assets sales (net) .....	81,119	58,449	379,881	(1,560)
<b>= Profit before tax .....</b>	<b>276,664</b>	<b>198,073</b>	<b>208,238</b>	<b>95,784</b>
- Income tax .....	78,413	52,190	44,524	31,245
+ Gains/losses on discontinued operations (net) .....	5,728	4,513	4,572	5,478
<b>= Consolidated profit for the year .....</b>	<b>203,979</b>	<b>150,396</b>	<b>168,286</b>	<b>70,017</b>
- Profit attributed to minority interests .....	(37)	(144)	1,432	1,264
<b>= Profit attributed to the controlling company .....</b>	<b>204,016</b>	<b>150,540</b>	<b>166,854</b>	<b>68,753</b>

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## Quarterly Profitability

(Annualized % of ATA)

	2010				2011			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Interest and similar income	3.42	3.31	3.35	3.37	3.38	3.55	3.64	3.70
- Interest expense and similar charges	1.23	1.31	1.38	1.62	1.76	1.89	2.05	2.07
<b>= Net interest income</b>	<b>2.19</b>	<b>2.00</b>	<b>1.97</b>	<b>1.75</b>	<b>1.62</b>	<b>1.66</b>	<b>1.59</b>	<b>1.63</b>
+ Return on equity instruments	0.01	0.02	-	-	0.01	0.01	-	0.01
+ Share of results of entities accounted for using the equity method	0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.03
+ Fees and commissions, net	0.53	0.58	0.54	0.54	0.54	0.56	0.51	0.53
± Gains/losses on financial assets and liabilities (net)	0.11	0.09	0.15	0.12	0.08	0.04	0.08	0.06
+ Exchange differences (net)	0.04	0.04	0.04	0.04	0.03	0.03	0.04	0.04
± Other operating results (net)	0.04	0.07	0.01	(0.02)	0.12	0.01	(0.01)	0.01
<b>= Gross operating income</b>	<b>2.96</b>	<b>2.84</b>	<b>2.75</b>	<b>2.47</b>	<b>2.44</b>	<b>2.34</b>	<b>2.25</b>	<b>2.31</b>
- Administrative expenses:	0.93	0.97	0.98	1.02	0.94	0.98	0.97	1.05
Personnel expenses	0.62	0.63	0.64	0.63	0.60	0.62	0.60	0.61
Other general administrative expenses	0.31	0.34	0.34	0.39	0.34	0.36	0.37	0.44
- Depreciation & amortisation	0.08	0.07	0.07	0.08	0.09	0.08	0.08	0.08
<b>= Net operating income (Pre-provision profit)</b>	<b>1.95</b>	<b>1.80</b>	<b>1.70</b>	<b>1.37</b>	<b>1.41</b>	<b>1.28</b>	<b>1.20</b>	<b>1.18</b>
- Financial asset impairment and provisioning	0.91	1.12	1.37	0.61	1.28	0.53	0.59	0.57
- Impairment of other assets	0.40	0.22	0.88	0.46	1.34	0.30	0.29	0.39
± Gains/(Losses) on assets sales (net)	0.27	0.19	1.23	-	1.56	0.02	0.01	0.01
<b>= Profit before tax</b>	<b>0.91</b>	<b>0.65</b>	<b>0.68</b>	<b>0.30</b>	<b>0.35</b>	<b>0.47</b>	<b>0.33</b>	<b>0.23</b>
Income tax	0.26	0.17	0.14	0.10	(0.24)	0.10	0.02	(0.01)
+ Gains/losses on discontinued operations (net)	0.02	0.01	0.01	0.02	-	-	-	-
<b>= Consolidated profit for the year</b>	<b>0.67</b>	<b>0.49</b>	<b>0.55</b>	<b>0.22</b>	<b>0.59</b>	<b>0.37</b>	<b>0.31</b>	<b>0.24</b>
- Profit attributed to minority interests	-	-	-	-	0.01	(0.01)	0.01	-
<b>= Profit attributed to the controlling company</b>	<b>0.67</b>	<b>0.49</b>	<b>0.55</b>	<b>0.22</b>	<b>0.58</b>	<b>0.38</b>	<b>0.30</b>	<b>0.24</b>
Net return on risk-weighted assets (RORWA) (%)	0.90	0.65	0.73	0.31	0.82	0.52	0.44	0.34
Net return on equity (ROE) (%)	9.78	7.30	8.11	3.31	8.45	5.44	4.53	3.48
Operating efficiency ratio (%)	31.47	32.87	33.80	35.52	38.37	41.99	43.11	45.29
In € million								
Average total assets	121,573	122,697	122,968	126,040	127,241	127,297	129,783	129,034
Risk-weighted average total assets (RWA)	92,317	93,610	94,028	93,322	92,223	90,615	90,285	89,056
Average equity	8,335	8,246	8,235	8,298	8,793	8,802	8,700	8,685

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## Yields and Costs

(Amounts in € thousand and rates annualized )

	31.12.11				31.12.10			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system .....	4,471,825	3.48	54,792	1.23	5,449,074	4.42	40,356	0.74
Loans and discounts (a).....	94,472,009	73.61	4,014,846	4.25	91,449,800	74.16	3,713,859	4.06
Securities portfolio .....	17,358,048	13.53	501,642	2.89	14,990,491	12.16	381,512	2.55
Other assets .....	12,037,079	9.38	9,241	0.08	11,429,704	9.26	10,044	0.09
<b>Total earning assets (b) .....</b>	<b>128,338,961</b>	<b>100.00</b>	<b>4,580,521</b>	<b>3.57</b>	<b>123,319,069</b>	<b>100.00</b>	<b>4,145,771</b>	<b>3.36</b>
Financial system .....	13,214,860	10.30	255,795	1.94	18,176,827	14.74	196,108	1.08
Customer funds (c).....	79,042,825	61.59	1,598,071	2.02	63,582,577	51.56	1,043,797	1.64
Demand accounts .....	14,702,505	11.46	114,782	0.78	14,584,945	11.83	67,093	0.46
Savings and time deposits .....	48,799,882	38.02	1,282,678	2.63	46,527,372	37.73	956,758	2.06
Deposits at central counterparty entities .....	15,540,438	12.11	200,611	1.29	2,470,260	2.00	19,946	0.81
Marketable debt securities & other .....	22,862,564	17.81	620,604	2.71	28,403,746	23.03	451,414	1.59
Other interest-bearing liabilities .....	242,739	0.19	19,140	7.89	282,073	0.23	22,556	8.00
Other funds .....	4,237,469	3.30	-	-	4,591,633	3.72	-	-
Equity .....	8,738,504	6.81	-	-	8,282,213	6.72	-	-
<b>Total funds (d) .....</b>	<b>128,338,961</b>	<b>100.00</b>	<b>2,493,610</b>	<b>1.94</b>	<b>123,319,069</b>	<b>100.00</b>	<b>1,713,875</b>	<b>1.39</b>
Customer spread (a-c) .....				2.23				2.42
Spread (b-d) .....				1.63				1.97

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## Quarterly Yields and Costs

(Data in % and rates annualized)

	2011							
	1st		2nd		3rd		4th	
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate
Financial system	4.10	0.85	2.98	1.31	3.43	1.45	3.43	1.37
Loans and discounts (a)	73.20	4.06	73.94	4.24	73.89	4.29	73.40	4.41
Securities portfolio	13.56	2.66	13.90	2.68	13.38	3.11	13.27	3.12
Other assets	9.14	0.08	9.18	0.08	9.30	0.08	9.90	0.07
<b>Total earning assets (b)</b>	<b>100.00</b>	<b>3.38</b>	<b>100.00</b>	<b>3.55</b>	<b>100.00</b>	<b>3.64</b>	<b>100.00</b>	<b>3.70</b>
Financial system	8.71	1.65	9.22	1.93	10.03	2.33	13.19	1.82
Customer funds (c)	61.82	1.81	62.97	1.95	62.60	2.10	58.98	2.23
Demand accounts	11.48	0.66	11.93	0.83	11.56	0.90	10.86	0.72
Savings and time deposits	37.94	2.44	38.17	2.51	37.44	2.66	37.37	2.90
Deposits at central counterparty entities	12.40	0.97	12.87	1.26	13.60	1.54	10.75	1.39
Marketable debt securities & other	18.26	2.60	17.84	2.63	17.55	2.79	17.61	2.84
Other interest-bearing liabilities	0.20	7.42	0.19	8.41	0.19	5.96	0.18	9.85
Other funds	4.10	-	2.87	-	2.93	-	3.31	-
Equity	6.91	-	6.91	-	6.70	-	6.73	-
<b>Total funds (d)</b>	<b>100.00</b>	<b>1.76</b>	<b>100.00</b>	<b>1.89</b>	<b>100.00</b>	<b>2.05</b>	<b>100.00</b>	<b>2.07</b>
Customer spread (a-c)		2.25		2.29		2.19		2.18
Spread (b-d)		1.62		1.66		1.59		1.63

	2010							
	1st		2nd		3rd		4th	
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate
Financial system	5.49	0.53	4.27	0.62	3.55	0.97	4.38	0.93
Loans and discounts (a)	74.11	4.20	74.40	4.00	74.32	4.00	73.80	4.05
Securities portfolio	11.10	2.39	11.97	2.49	12.58	2.65	12.63	2.68
Other assets	9.30	0.09	9.36	0.09	9.55	0.08	9.19	0.08
<b>Total earning assets (b)</b>	<b>100.00</b>	<b>3.42</b>	<b>100.00</b>	<b>3.31</b>	<b>100.00</b>	<b>3.35</b>	<b>100.00</b>	<b>3.37</b>
Financial system	16.35	0.88	15.65	1.00	15.77	1.13	11.30	1.40
Customer funds (c)	46.30	1.43	48.46	1.53	53.02	1.71	58.23	1.84
Demand accounts	11.99	0.35	11.91	0.38	12.21	0.54	11.22	0.57
Savings and time deposits	33.90	1.82	35.71	1.94	39.51	2.11	41.66	2.29
Deposits at central counterparty entities	0.41	0.31	0.84	0.52	1.30	0.49	5.35	0.96
Marketable debt securities & other	26.74	1.52	24.95	1.59	20.86	1.33	19.71	1.94
Other interest-bearing liabilities	0.24	8.81	0.23	8.84	0.23	9.02	0.21	5.17
Other funds	3.51	-	3.98	-	3.44	-	3.97	-
Equity	6.86	-	6.72	-	6.70	-	6.58	-
<b>Total funds (d)</b>	<b>100.00</b>	<b>1.23</b>	<b>100.00</b>	<b>1.31</b>	<b>100.00</b>	<b>1.38</b>	<b>100.00</b>	<b>1.62</b>
Customer spread (a-c)		2.77		2.47		2.29		2.21
Spread (b-d)		2.19		2.00		1.97		1.75

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## Net Fee and Commission Income

(Amounts in € thousand)

	31.12.11	31.12.10	% variation	Distribution (%)	
				2011	2010
Banking services	640,785	629,899	1.7	93.5	93.3
Portfolio administration	73,465	78,266	(6.1)	10.7	11.6
Securities portfolios	23,549	21,955	7.3	3.4	3.3
Asset portfolio management	3,246	4,094	(20.7)	0.5	0.6
Mutual funds	39,718	47,177	(15.8)	5.8	7.0
Pension plans	6,952	5,040	37.9	1.0	0.7
Other banking services	471,006	447,875	5.2	68.7	66.4
Securities and foreign currency purchase and sale	9,819	11,280	(13.0)	1.4	1.7
Demand account administration	98,964	99,603	(0.6)	14.4	14.8
Provision of collateral and other guarantees	126,760	121,094	4.7	18.5	17.9
Asset transaction services	46,240	45,790	1.0	6.8	6.8
Collection and payment handling	78,714	79,757	(1.3)	11.5	11.8
Other	110,509	90,351	22.3	16.1	13.4
Means of payment	96,314	103,758	(7.2)	14.1	15.3
Defaults	44,747	44,945	(0.4)	6.5	6.7
<b>Total</b>	<b>685,532</b>	<b>674,844</b>	<b>1.6</b>	<b>100.0</b>	<b>100.0</b>

	2011			
	1st	2nd	3rd	4th
Banking services	160,321	168,468	154,250	157,746
Portfolio administration	19,000	20,422	16,304	17,739
Securities portfolios	4,610	7,129	5,475	6,335
Asset portfolio management	743	1,265	512	726
Mutual funds	12,399	10,704	7,915	8,700
Pension plans	1,248	1,324	2,402	1,978
Other banking services	119,153	123,121	112,080	116,652
Securities and foreign currency purchase and sale	2,852	2,600	2,387	1,980
Demand account administration	24,714	24,413	23,990	25,847
Provision of collateral and other guarantees	30,018	31,916	33,322	31,504
Asset transaction services	10,970	11,868	11,640	11,762
Collection and payment handling	18,336	20,167	19,593	20,618
Other	32,263	32,157	21,148	24,941
Means of payment	22,168	24,925	25,866	23,355
Defaults	11,298	10,170	10,547	12,732
<b>Total</b>	<b>171,619</b>	<b>178,638</b>	<b>164,797</b>	<b>170,478</b>

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## Personnel and general expenses

(Amounts in € thousand)

	31.12.11	31.12.10	%	Distribution (%)	
				variation	2011
<b>Personnel expenses:</b>	<b>778,756</b>	<b>778,266</b>	<b>0.1</b>	<b>61.7</b>	<b>64.5</b>
Wages and salaries . . . . .	583,746	589,030	(0.9)	46.2	48.8
Social security charges . . . . .	139,692	135,585	3.0	11.1	11.2
Other personnel expenses . . . . .	23,747	24,924	(4.7)	1.9	2.1
Pensions . . . . .	31,571	28,727	9.9	2.5	2.4
<b>General expenses:</b>	<b>484,209</b>	<b>428,403</b>	<b>13.0</b>	<b>38.3</b>	<b>35.5</b>
Rents and common services . . . . .	113,048	114,179	(1.0)	9.0	9.5
Communications . . . . .	28,505	25,769	10.6	2.3	2.1
Maintenance of premises and equipment . . . . .	32,277	30,776	4.9	2.6	2.6
IT and other technical expenses . . . . .	95,794	80,726	18.7	7.6	6.7
Stationery and office supplies . . . . .	7,106	6,874	3.4	0.6	0.6
Technical reports and legal expenses . . . . .	29,184	26,177	11.5	2.3	2.2
Advertising and publicity . . . . .	40,972	24,047	70.4	3.2	2.0
Insurance . . . . .	5,024	5,230	(3.9)	0.4	0.4
Security and fund transport services . . . . .	19,433	19,057	2.0	1.5	1.6
Travel . . . . .	9,074	9,533	(4.8)	0.7	0.8
VAT and other . . . . .	76,503	59,263	29.1	6.1	4.9
Other general expenses . . . . .	27,289	26,772	1.9	2.2	2.2
<b>Total . . . . .</b>	<b>1,262,965</b>	<b>1,206,669</b>	<b>4.7</b>	<b>100.0</b>	<b>100.0</b>

	<b>2011</b>			
	1st	2nd	3rd	4th
<b>Personnel expenses:</b>	<b>189,852</b>	<b>197,322</b>	<b>194,103</b>	<b>197,479</b>
Wages and salaries . . . . .	141,598	147,338	146,714	148,096
Social security charges . . . . .	35,489	34,640	34,882	34,681
Other personnel expenses . . . . .	6,140	7,328	4,615	5,664
Pensions . . . . .	6,625	8,016	7,892	9,038
<b>General expenses:</b>	<b>107,834</b>	<b>115,603</b>	<b>120,613</b>	<b>140,159</b>
Rents and common services . . . . .	27,120	26,236	29,409	30,283
Communications . . . . .	6,133	8,180	6,938	7,254
Maintenance of premises and equipment . . . . .	7,966	8,298	7,028	8,985
IT and other technical expenses . . . . .	22,654	21,997	20,467	30,676
Stationery and office supplies . . . . .	1,432	1,141	2,190	2,343
Technical reports and legal expenses . . . . .	5,382	5,948	7,748	10,106
Advertising and publicity . . . . .	5,088	8,377	9,427	18,080
Insurance . . . . .	1,342	1,579	1,113	990
Security and fund transport services . . . . .	4,155	5,729	4,899	4,650
Travel . . . . .	2,369	2,360	1,990	2,355
VAT and other . . . . .	16,459	18,254	22,026	19,764
Other general expenses . . . . .	7,734	7,504	7,378	4,673
<b>Total . . . . .</b>	<b>297,686</b>	<b>312,925</b>	<b>314,716</b>	<b>337,638</b>

Due to the transaction with Allianz, the 2010 figures have been restated to facilitate comparison

## 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		
2010 1st	1,265,852	739,774	58.44	5.96	4.67	5.45	0.0750	7.7
2nd	1,265,852	1,022,958	80.81	6.00	3.76	4.21	0.0750	(21.4)
3rd	1,265,852	633,766	50.07	5.34	4.03	4.65	0.0835 <sup>(1)</sup>	12.3
4th	1,352,243	774,728	57.29	4.78	3.80	3.84	0.0750	(15.6)
<b>Year total</b>	<b>1,287,450</b>	<b>3,171,226</b>	<b>246.32</b>	<b>6.00</b>	<b>3.76</b>	<b>3.84</b>	<b>0.3085</b>	<b>(19.1)</b>
2011 1st	1,375,285	772,152	56.14	4.65	3.51	4.15	0.0500	9.3
2nd	1,382,863	556,331	40.23	4.41	3.63	3.88	0.0500 <sup>(2)</sup>	(5.2)
3rd	1,398,200	612,198	43.78	4.03	3.01	3.48	0.0500 <sup>(3)</sup>	(9.0)
4th	1,400,636	363,695	25.97	3.60	2.75	3.52	0.0500	2.6
<b>Year total</b>	<b>1,389,246</b>	<b>2,304,376</b>	<b>165.87</b>	<b>4.65</b>	<b>2.75</b>	<b>3.52</b>	<b>0.2000</b>	<b>(3.13)</b>

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

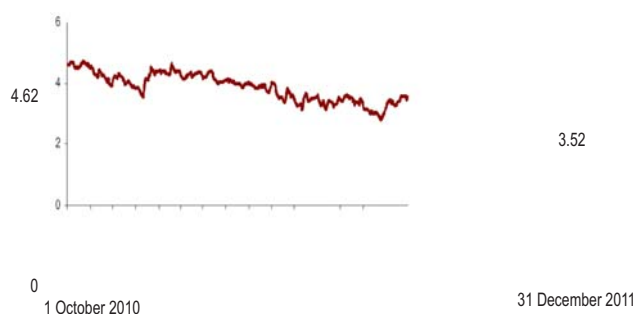
<sup>(1)</sup> Delivery of 1 share for each 70 shares. Excess shares are paid taking as a reference the weighted average price at the session 16/04/2010, the day before the Shareholders Meeting at which this distribution was approved (€5.8429).

<sup>(2)</sup> Optional dividend: cash payment of €0.05 (gross) or exchange for new issue shares at the rate of 1 for 85 (reference price €4.222)

<sup>(3)</sup> Optional dividend: cash payment of €0.05 (gross) or exchange for new issue shares at the rate of 1 for 78 (reference price €3.881)

### Banco Popular share price (euros)

(Daily closing price)



Market ratios	31.12.11	31.12.10
Price / Book value	0.63	0.64
Price / Earnings (PE ratio)	11.73	9.19
Dividend return <sup>(1)</sup>	6.02	6.94

\* Profitability calculated included the dividend paid in Q4, annualised

### Treasury Stock

(Thousands of shares)	Number				Total		Treasury Stock*	
	Average	Maximum	Minimum	Closing	outstanding (a)	Total traded (b)	As % of (a)	As % of (b)
<b>2010</b>								
First quarter	23,231	28,287	15,657	24,050	1,333,151	739,744	1.74	3.14
Second quarter	31,224	38,999	20,839	29,386	1,333,151	1,022,958	2.28	2.98
Third quarter	17,880	30,102	11,135	18,916	1,333,151	633,766	1.34	2.82
Fourth quarter	20,684	29,475	4,212	26,080	1,375,284	774,728	1.50	2.67
<b>2011</b>								
First quarter	16,090	31,374	1,427	1,427	1,375,284	772,152	1.17	2.08
Second quarter	15,943	28,736	1,427	22,506	1,387,298	556,331	1.15	2.87
Third quarter	38,898	47,148	19,192	35,600	1,400,147	612,198	2.78	6.35
Fourth quarter	40,422	48,314	30,752	42,715	1,400,930	363,695	2.89	11.11

\* 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 and by Circular 3/2010.

### Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 15 to the 2010 consolidated financial statements, which included most notably the following:

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

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

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

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

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

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

- B) Income:

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

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

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

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

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

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

#### **Disclaimer**

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

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**NOTES**

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## NOTES

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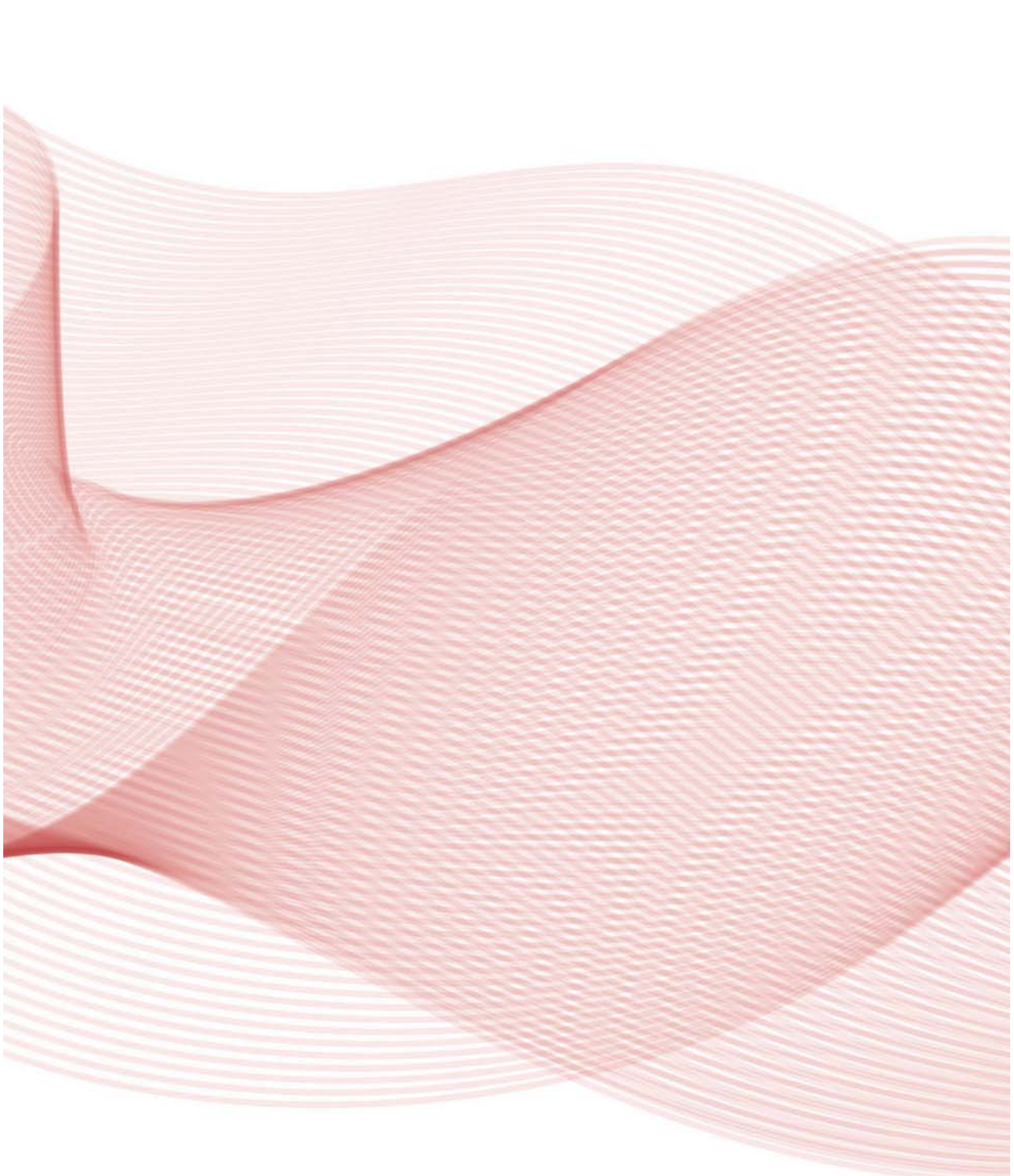
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