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Quarterly report

january | february | march

Highlights

(Amounts in € thousand) 3.31.07 3.31.06 Var. %

Business volume

Total assets managed	112,173,074	97,012,515	15.6
On-balance sheet total assets	94,108,575	80,416,991	17.0
Total equity	5,553,004	5,008,371	10.9
Funds managed:	92,820,429	76,196,780	21.8
On-balance sheet funds	74,755,930	59,601,256	25.4
Other intermediated funds	18,064,499	16,595,524	8.9
Lending to customers (gross)	80,015,383	69,760,017	14.7
Contingent risks	11,127,152	10,322,852	7.8

Solvency

BIS ratio (%)	9.98	9.79	
Of which: Tier 1 (%)	8.19	7.85	

Risk management

Total risks	91,142,535	80,082,869	13.8
Nonperforming loans	669,715	658,859	1.6
Allowances for credit losses	1,725,965	1,558,009	10.8
% nonperforming ratio	0.73	0.82	
% coverage (Credit loss allowance/Nonperforming loans)	257.72	236.47	

Income statements

Net interest income	552,898	500,882	10.4
Gross income	825,081	731,641	12.8
Net operating income	550,633	466,202	18.1
Profit before tax	446,297	388,118	15.0
Consolidated profit for the year	305,792	259,695	17.8
Profit attributed to the Group	287,635	243,542	18.1

Net return and efficiency

Average total assets	91,731,631	79,131,526	15.9
Average total equity	5,266,807	4,763,848	10.6
ROA (%)	1.33	1.31	
ROE (%)	21.85	20.45	
Operating efficiency (%)*	29.90	32.24	

Per share data

Final number of shares (thousands)	1,215,433	1,215,433	-
Average number of shares (thousands)	1,215,231	1,215,372	-
Share closing market price (€)	15.44	12.16	27.0
Market capitalization	18,766,286	14,779,660	27.0
Share book value (€)	4.57	4.12	10.9
Net income per share (€)	0.237	0.200	18.5
Dividend per share paid in the period (€)	0.1033	0.090	14.8
Price/Book value	3.38	2.95	14.6
Price/Earnings (annualized)	16.3	15.2	7.5

Other data

Shareholders	110,046	107,043	2.8
Employees	14,167	13,883	2.0
Spain	12,751	12,480	2.2
Abroad	1,416	1,403	0.9
Branches	2,450	2,403	2.0
Spain	2,233	2,213	0.9
Abroad	217	190	14.2
Mundocredit branches	11	-	
ATMs	3,409	3,370	1.2

* Cost income = operating costs (w/o depreciation) divided by ordinary revenue + non-financial service fee revenues

The financial information as of March 31, 2007 was not audited, although it was prepared in accordance with EU International Financial Reporting Standards, and was consistent with the 2006 audited financial statements.

Salient aspects

The first quarter of 2007 confirmed the trend of strengthening margins and improving profit that became apparent in the second half of 2006. The net interest income and spread were up 3 basis points in the quarter at 2.41%. The customer spread continued on its path of sustained improvement in 2006 with an additional increase of 4 basis points in the quarter.

This improvement in margins, the outcome of selectivity and rigor in commercial management and of the impulse imparted by the past rises in interest rates, made it possible to accelerate the net interest income, which was 10.4% higher year on year.

The annualized 8.6% growth in service fee and commission income reflected the strong dynamic performance of fees and commissions for collateral and other contingent exposures (up 16.3%) and the recovery of fees and commissions on bill discounting, which halted their declining trend of 2006 and recorded a year-on-year increase of 7.1%. To offset the pressure on card fees and commissions, there was a substantial expansion in those on the sales and purchases of securities and foreign currencies which were up 22.8%, plus the crystallization of a wholesale banking activity with strong growth in the quarter and very promising fees and commissions.

The acceleration of income in the cascade format to an annual rate of 12.8% in gross income was due to the excellent performance in the quarter of a series of new products for both businesses and private individuals, involving insurance activities and financial operations to hedge the interest rate risk.

The substantial increase in the Group's net income should be viewed in relation to very selective growth of the business, aimed at safeguarding the quality of assets in the face of a possible change of cycle, and of the defense of margins mentioned earlier. This strategy has led the Bank to strengthen the growth of non-mortgage credits and loans – Other term loans – which were up 22.6%. The greater demand for credit quality placed the growth rate of mortgage loans at 13.9%, compared with nearly 24% one year earlier. The credit portfolio as a whole was up 14.7% year on year, with the distribution of new business between mortgage and non-mortgage now very close to parity, although the mortgage portion still accounts for 52% of the total.

The low (4.5%) increase in operating costs – excluding compensating fees – raised the net operating income to an annualized 18.1%, one of the highest rates achieved by the Group for many years. The wide difference between gross income and costs made possible a further improvement in the efficiency ratio to 29.9% which, since it was achieved without significant extraordinary income and has been sustained for many years, confirms the singularity of Banco Popular at European level as regards the efficiency of its management.

The lower net additions to nonperforming loans compared with the same period of 2006 contributed to the fall in the nonperforming loans ratio from 0.82% to 0.73%. The credit loss allowance coverage has increased notably in the last twelve months to stand at 257.7%.

The attributed profit of €287.6 million was 18.1% higher year on year, making it possible to increase the ROA in one year by 2 basis points to 1.33%, despite the strong competition, and to raise the ROE by 140 basis points to 21.85%.

Balance Sheet

(Amounts in € thousand)

	3.31.07	12.31.06	3.31.06	% variation	
				3 months	12 months
Assets					
Cash and due from central banks	2,020,383	1,502,261	1,177,894	34.5	71.5
Trading portfolio	2,197,723	2,588,379	1,647,799	(15.1)	33.4
Other financial assets at fair value with changes in P&L	445,038	400,252	315,480	11.2	41.1
Available-for-sale financial assets	1,400,509	697,392	578,569	>	>
Loans and discounts:	85,712,986	84,144,648	74,171,674	1.9	15.6
Lending to customers	78,528,851	75,897,896	68,348,794	3.5	14.9
Other loans and discounts	7,184,135	8,246,752	5,822,880	(12.9)	23.4
Held-to-maturity investment portfolio	420	441	433	(4.8)	(3.0)
Asset hedging derivatives	185,157	205,752	230,512	(10.0)	(19.7)
Non-current assets for sale	137,358	129,034	99,840	6.5	37.6
Participating interests	15,036	17,488	16,350	(14.0)	(8.0)
Pension-linked insurance contracts	219,551	223,846	236,297	(1.9)	(7.1)
Reinsurance assets	5,390	3,866	7,344	39.4	(26.6)
Tangible assets	707,860	707,359	739,602	0.1	(4.3)
Intangible assets	370,121	369,232	367,282	0.2	0.8
Tax assets	560,137	555,969	669,812	0.7	(16.4)
Accrual accounts	55,449	23,143	47,868	>	15.8
Other asset accounts	75,457	81,372	110,235	(7.3)	(31.5)
Total assets	94,108,575	91,650,434	80,416,991	2.7	17.0
Liabilities					
Trading portfolio	615,016	511,239	352,173	20.3	74.6
Other financial liabilities at fair value with changes in P&L	48,223	43,830	-	10.0	-
Financial liabilities at amortized cost:	84,596,254	82,440,853	72,186,956	2.6	17.2
Deposits of credit institutions	9,137,341	8,393,081	12,111,057	8.9	(24.6)
Customer deposits	35,999,460	36,941,191	34,455,679	(2.5)	4.5
Bonds and other marketable debt securities	37,006,887	35,096,737	23,584,637	5.4	56.9
Subordinated liabilities	1,311,160	1,023,156	1,122,643	28.1	16.8
Other financial liabilities	1,141,406	986,688	912,940	15.7	25.0
Hedging derivatives	368,009	338,695	251,964	8.7	46.1
Insurance contract liabilities	891,338	844,410	633,073	5.6	40.8
Allowances	489,990	495,528	500,872	(1.1)	(2.2)
Tax liabilities	363,223	232,960	311,093	55.9	16.8
Accrual accounts	269,859	317,450	271,451	(15.0)	(0.6)
Other liabilities accounts	92,602	70,929	95,005	30.6	(2.5)
Financial liabilities classified as capital	438,423	439,959	438,297	(0.3)	-
Total liabilities	88,172,937	85,735,853	75,040,884	2.8	17.5
Net worth					
Minority interests	356,839	361,178	338,229	(1.2)	5.5
Valuation adjustments	25,795	24,200	29,507	6.6	(12.6)
Equity	5,553,004	5,529,203	5,008,371	0.4	10.9
Capital, reserves and retained earnings	5,265,369	4,753,413	4,764,829	10.8	10.5
Income for the period	287,635	1,026,031	243,542	-	18.1
Dividends paid and declared	-	(250,241)	-	-	-
Total net worth	5,935,638	5,914,581	5,376,107	0.4	10.4
Total net worth and liabilities	94,108,575	91,650,434	80,416,991	2.7	17.0
<i>Pro-memoria:</i>					
Contingent risks	11,127,152	11,281,128	10,322,852	(1.4)	7.8
Contingent commitments	19,604,705	19,023,187	19,381,570	3.1	1.2

Business Performance

For yet another quarter the Banco Popular Group continued to strongly expand the main aggregates of its balance sheet by strictly organic means, i.e. by making use of its customer base, increasing the number of customers and expanding the distribution networks.

At March 31, 2007, the Group's total on-balance sheet assets amounted to €94,109 million, an increase of €13,692 million in the last twelve months, a year-on-year growth rate of 17.0%.

The off-balance sheet assets managed increased by 8.9% year on year driven by asset management (up 20.2%), pension plans (up 9.6%) and mutual funds (up 7.1%).

Accordingly, the Group's total business volume at March 31 was therefore €112,173 million, up 15.6% year on year.

Lending to the Group's customers, which represented 85.0% of total assets, totaled €80,015 million, an increase of 14.7% in the last twelve months. Lending to the private sector, which amounted to €79,872 million, was up 14.7% year on year. By type of lending, personal loans and credits (other term loans) were up by 22.6%; mortgage loans, mostly for home purchase, were up by 13.9%.

The contingent exposures were 7.8% higher at €11,127 million, with collateral and other guarantees provided up by 8.2%.

Total on-balance sheet funds (customer deposits, marketable debt securities, subordinated debt and capital having the nature of a financial liability) amounted to €74,756 million at March 31, 2007, a year-on-year increase of 25.4%.

Retail liabilities – demand deposits, time deposits and commercial paper – were up 9.6% year on year and were again the main source of balance sheet funding with an approximate contribution thereto of 55%. Noteworthy in this caption was the 44.8% growth rate of commercial paper. Wholesale funding – interbank borrowing, commercial paper, bonds, securitization and covered bonds (“cédulas”) – provided 43% of borrowed funds and is managed with criteria of maximum prudence that seek to balance the objective of minimizing costs with that of maximizing diversification both in time periods and in sources of funding. The remaining 2% of borrowed funds consisted of preferred equity interests (“participaciones”) and subordinated debt.

At March 31, 2007, the balance of doubtful receivables was €670 million. This was €11 million (1.6%) more than at the same date in 2006, but much lower than the 13.8% increase recorded in total risks.

As a result, the nonperforming ratio, i.e. doubtful assets as a percentage of total risks (loans and discounts plus contingent exposures), stood at 0.73%, a reduction of 9 basis points in the last twelve months. In addition to the low level of nonperforming loans, the Group had allowances covering 258% of the doubtful assets balance, which was 21 percentage points more than at the end of March 2006.

The Group's solvency was based not only on its BIS ratio of 10% at quarter end, but also on the composition thereof, with 66.1% being core capital and 82.1% being Tier I capital.

By business area, commercial banking accounted for 84.7% of the total assets and contributed 73% of the balance sheet growth, with a year-on-year increase of 14.3%. By geographical area, 92.2% of the assets were from the business in Spain, with the business in Portugal contributing the remaining 7.8%. The growth in assets in Spain was 17.3% and in Portugal was 13.3%.

Funds Managed

				% variation	
	3.31.07	12.31.06	3.31.06	3 months	12 months
(Amounts in € thousand)					
Unadjusted customer deposits	35,797,277	36,760,932	34,368,324	(2.6)	4.2
<i>General government</i>	2,816,714	2,929,496	1,838,868	(3.8)	53.2
<i>Other private sectors</i>	32,980,563	33,831,436	32,529,456	(2.5)	1.4
Residents	27,858,004	28,553,896	27,223,864	(2.4)	2.3
Nonresidents	5,122,559	5,277,540	5,305,592	(2.9)	(3.4)
Valuation adjustments (+/-)	202,183	180,259	87,355	12.2	>
Total customer deposits	35,999,460	36,941,191	34,455,679	(2.5)	4.5
Unadjusted debt certificates including bonds:	36,890,148	34,976,930	23,508,909	5.5	56.9
Bonds and other securities outstanding . .	24,656,454	24,878,023	17,783,263	(0.9)	38.6
Commercial paper	12,233,694	10,098,907	5,725,646	21.1	>
Valuation adjustments (+/-)	116,739	119,807	75,728	(2.6)	54.2
Total debt certificates including bonds	37,006,887	35,096,737	23,584,637	5.4	56.9
Subordinated liabilities	1,311,160	1,023,156	1,122,643	28.1	16.8
Capital having the nature of a financial liability	438,423	439,959	438,297	(0.3)	-
Total on-balance sheet funds (a)	74,755,930	73,501,043	59,601,256	1.7	25.4
Mutual funds	12,260,318	12,130,633	11,444,962	1.1	7.1
Asset portfolio management	1,797,100	1,550,041	1,495,053	15.9	20.2
Pension funds	4,007,081	3,975,919	3,655,509	0.8	9.6
Total other intermediated funds (b) . .	18,064,499	17,656,593	16,595,524	2.3	8.9
Total (a+b)	92,820,429	91,157,636	76,196,780	1.8	21.8

Deposits of other private sectors

				% variation	
	3.31.07	12.31.06	3.31.06	3 months	12 months
(Amounts in € thousand)					
Demand deposits	11,836,669	12,333,147	11,885,871	(4.0)	(0.4)
Savings deposits	5,764,873	5,965,910	5,779,669	(3.4)	(0.3)
Time deposits	13,154,304	13,274,700	12,996,437	(0.9)	1.2
Asset repos	1,999,721	1,935,237	1,566,107	3.3	27.7
Other accounts	224,996	322,442	301,372	(30.2)	(25.3)
Total	32,980,563	33,831,436	32,529,456	(2.5)	1.4

Lending to customers

(Amounts in € thousand)

	3.31.07	12.31.06	3.31.06	% variation	
				3 months	12 months
<i>Lending to general government</i>	143,142	114,331	109,155	25.2	31.1
<i>Lending to other private sectors</i>	79,872,241	77,213,525	69,650,862	3.4	14.7
Residents	72,621,460	69,977,356	62,535,536	3.8	16.1
Nonresidents	7,250,781	7,236,169	7,115,326	0.2	1.9
Total lending to customers	80,015,383	77,327,856	69,760,017	3.5	14.7
Valuation adjustments (+/-)	(1,486,532)	(1,429,960)	(1,411,223)	4.0	5.3
Total	78,528,851	75,897,896	68,348,794	3.5	14.9

Lending to other private sectors

(Amounts in € thousand)

	3.31.07	12.31.06	3.31.06	% variation	
				3 months	12 months
Trade loans and discounts	7,110,708	7,497,041	6,663,529	(5.2)	6.7
Secured loans	43,746,260	42,268,412	38,396,560	3.5	13.9
Mortgage loans	43,490,993	42,046,914	38,184,372	3.4	13.9
Other	255,267	221,498	212,188	15.2	20.3
Asset repos	15	-	-		
Other term loans	22,732,572	21,213,646	18,544,104	7.2	22.6
Finance leases	3,693,641	3,622,224	3,540,149	2.0	4.3
Overdrafts and other	1,944,215	2,001,351	1,867,480	(2.9)	4.1
Doubtful assets	644,830	610,851	639,040	5.6	0.9
Total lending to private sectors	79,872,241	77,213,525	69,650,862	3.4	14.7

Risk Management Performance*

(Amounts in € thousand)

			Variation	
	3.31.07	3.31.06	Amount	%
Nonperforming loans:				
Balance at January 1	635,537	591,043	44,494	7.5
Additions	183,118	195,478	(12,360)	(6.3)
Recoveries	96,824	105,056	(8,232)	(7.8)
Other changes	-	3,591	(3,591)	(100.0)
Net variation for the year	86,294	94,013	(7,719)	(8.2)
% increase	13.6	15.9		
Writeoffs	(52,116)	(26,197)	(25,919)	98.9
Balance at March 31	669,715	658,859	10,856	1.6
Allowance for credit losses:				
Balance at January 1	1,665,060	1,469,927	195,133	13.3
Annual provision:				
Gross	151,012	137,827	13,185	9.6
Recoveries	(37,317)	(31,327)	(5,990)	19.1
Net	113,695	106,500	7,195	6.8
Other variations	(4,459)	7,014	(11,473)	
Writeoffs	(48,331)	(25,432)	(22,899)	90.0
Balance at March 31	1,725,965	1,558,009	167,956	10.8
<i>Pro memoria:</i>				
Total risks	91,142,535	80,082,869	11,059,666	13.8
Loans transferred to suspense accounts	1,204,408	1,087,925	116,483	10.7
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	0.73	0.82	(0.09)	
Insolvency (Writeoffs/Total risks)	0.06	0.03	0.03	
Coverage (Credit loss allowance/Nonperforming loans)	257.72	236.47	21.25	

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

Credit loss allowances	Specific	General	Country risk	Total
Balance at January 1	228,729	1,431,654	4,677	1,665,060
Net provisions	51,473	62,388	(166)	113,695
Amount used	48,331	-	-	48,331
Other variations and transfers	(4,351)	(108)	-	(4,459)
Balance at March 31	227,520	1,493,934	4,511	1,725,965

Solvency

(Amounts in € thousand)	3.31.07	3.31.06	% variation
Common stock	121,543	121,543	-
Reserves	5,143,524	4,641,499	10.8
Minority interests	337,672	320,956	5.2
Retained earnings in the period	155,741	129,818	20.0
Deductions	(417,308)	(389,298)	7.2
Total core capital	5,341,172	4,824,518	10.7
<i>Core capital (%)</i>	<i>6.60</i>	<i>6.52</i>	
Preferred shares and equity interests	1,288,000	988,000	30.4
Total Tier 1 Capital	6,629,172	5,812,518	14.0
<i>Tier 1 ratio (%)</i>	<i>8.19</i>	<i>7.85</i>	
Total Tier 2 Capital	1,448,205	1,437,228	0.8
BIS computable capital	8,077,377	7,249,746	11.4
Capital cushion	1,599,611	1,327,844	20.5
<i>BIS ratio (%)</i>	<i>9.98</i>	<i>9.79%</i>	
<i>Pro memoria:</i>			
Total BIS risk-weighted assets	80,972,077	74,023,779	9.4

Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Adjusted balance at 12.31.2005	4,989,779	14,785	342,455	5,347,019
Treasury stock	(1,445)	-	-	(1,445)
Consolidation adjustments (net)	(12,740)	-	(15,291)	(28,031)
Valuation adjustments	-	9,415	105	9,520
2006 net income	1,026,031	-	65,184	1,091,215
Dividends	(472,422)	-	(31,275)	(503,697)
Balance at 12.31.2006	5,529,203	24,200	361,178	5,914,581
Treasury stock	(887)	-	-	(887)
Consolidation adjustments (net)	(7,584)	-	(1,259)	(8,843)
Valuation adjustments	-	1,595	1	1,596
Income three months 2007	287,635	-	18,157	305,792
Dividends	(255,363)	-	(21,238)	(276,601)
Balance at 3.31.2007	5,553,004	25,795	356,839	5,935,638

Consolidated Income

The net interest income of €553 million for the quarter ended March 31 was 10.4% higher than in the same period of 2006. This figure signifies an acceleration in the growth rate as compared with the annualized values in the three preceding quarters.

The net fee and commission income performed well in the first three months of 2007 and amounted to €226 million, a year-on-year growth of 8.6%. The drivers of this growth were the fees for administration of demand and other accounts (up 28.6%), for purchase and sale of securities and foreign currency (up 22.8%), and for the provision of collateral and other guarantees (up 16.3%). Noteworthy was the positive change of trend in fees and commissions for the services inherent to asset transactions (up 8.8%).

Insurance activity income also performed very positively, with an increase of 55% in the year. Gains on financial assets and liabilities amounted to €20 million, an increase of €17 million over March 31, 2006, as a result of greater activity in the capital markets and the marketing of structured products to the customers.

Gross income, encompassing all the Group's financial activity (banking business and insurance), amounted to €825 million at March 31, 2007, a notable rise of 12.8% year on year.

Operating costs relating to personnel and administrative expenses, net of expense-compensating fees, were up 4.8% over the same period of 2006. Despite the sharp growth in the technical resources item, the Group successfully contained its general administrative expenses.

The efficiency ratio, i.e. the portion of gross income and income for provision of nonfinancial services absorbed by operating costs (net of compensating fees), was 29.90%, going below the 30% barrier for the first time, with an outstanding improvement of 234 basis points as compared with the figure at the end of March 2006.

The net operating income of €551 million at March 31 was 18.1% higher than in the first quarter of 2006.

The losses for impairment of assets amounted to €106 million, equivalent to an implicit annual risk premium of 0.55% on the average balance of lending to customers. At March 31, 2007, the general allowance of €1,494 million had practically reached the maximum limit envisaged under current regulations.

The pre-tax profit of €446 million in the first quarter was 15.0% higher year on year.

The profit attributed to the Banco Popular Group amounted to €288 million in the first quarter, a year-on-year increase of 18.1%.

The earnings per share of €0.237 in the first quarter of 2007 were 18.5% higher year on year.

The ROE at March 31, 2007, was 21.85% and the ROA was 1.33%, compared with 1.31% one year earlier.

By business area, the 82.8% contribution of commercial banking to the consolidated profit for the first quarter was 19.7% higher year on year.

By geographical area, the business in Spain contributed 94.9% of the profit attributed to the Group, and the remaining 5.1% came from the business in Portugal.

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	3.31.07	3.31.06	% variation	3.31.07	3.31.06	Variation
Interest and similar revenues	1,133,972	831,460	36.4	4.95	4.20	0.75
- Interest and similar charges	597,751	336,296	77.7	2.61	1.70	0.91
+ Revenues from capital instruments.	16,677	5,718	>	0.07	0.03	0.04
=Net interest revenue	552,898	500,882	10.4	2.41	2.53	(0.12)
+ Revenues from equity method entities	666	(25)	>	-	-	-
+ Net fees	225,828	207,925	8.6	0.99	1.05	(0.06)
+ Insurance business.	13,813	8,914	55.0	0.06	0.05	0.01
± Asset trading and exchange profits (net)	19,939	2,732	>	0.09	0.01	0.08
± Exchange gains (net)	11,937	11,213	6.5	0.05	0.06	(0.01)
=Gross income	825,081	731,641	12.8	3.60	3.70	(0.10)
+ Non-financial service fee revenues (net)	10,215	8,257	23.7	0.05	0.04	0.01
- Operating costs:	249,335	237,984	4.8	1.09	1.20	(0.11)
Personnel expenses	182,869	171,103	6.9	0.80	0.87	(0.07)
Other general administrative expenses.	81,371	81,725	(0.4)	0.36	0.41	(0.05)
Other revenues (compensating fees).	(14,905)	(14,844)	0.4	(0.07)	(0.08)	0.01
- Depreciation.	24,577	24,888	(1.2)	0.11	0.13	(0.02)
- Other operating expenses	10,751	10,824	(0.7)	0.05	0.05	-
=Net Operating income	550,633	466,202	18.1	2.40	2.36	0.04
- Losses from impairment of assets and provisions to allowances (net)	110,443	100,340	10.1	0.48	0.51	(0.03)
± Other income (net)	6,107	22,256	(72.6)	0.03	0.11	(0.08)
=Profit before tax	446,297	388,118	15.0	1.95	1.96	(0.01)
- Corporate income tax provision	140,505	128,423	9.4	0.62	0.65	(0.03)
=Consolidated profit for the year	305,792	259,695	17.8	1.33	1.31	0.02
- Income attributed to minority interests	18,157	16,153	12.4	0.08	0.08	-
=Profit attributed to the Group	287,635	243,542	18.1	1.25	1.23	0.02
Net return on average risk-weighted assets (RORWA) (%)				1.55	1.44	0.11
Net return on average equity (ROE) (%)				21.85	20.45	1.40
Leverage				16.39	15.58	0.81
Operating efficiency (%)				29.90	32.24	(2.34)
<i>€ million:</i>						
Average total assets				91,732	79,132	12,600
Risk-weighted average total assets (RWA)				79,056	72,208	6,848
Average total equity.				5,267	4,764	503

Quarterly Consolidated Income

(Amounts in € thousand)

	2006				2007
	1st	2nd	3rd	4th	1st
Interest and similar revenues	831,460	895,869	952,677	1,039,553	1,133,972
- Interest and similar charges	336,296	394,402	438,611	519,725	597,751
+ Revenues from capital instruments	5,718	10,207	15,599	5,481	16,677
=Net interest revenue.	500,882	511,674	529,665	525,309	552,898
+ Revenues from equity method entities	(25)	35	195	2,892	666
+ Net fees	207,925	210,574	223,990	238,090	225,828
+ Insurance business	8,914	9,973	11,128	15,148	13,813
± Asset trading and exchange profits (net)	2,732	11,044	31,280	14,892	19,939
± Exchange gains (net)	11,213	12,389	13,552	14,012	11,937
=Gross income	731,641	755,689	809,810	810,343	825,081
+ Non-financial service fee revenues (net)	8,257	9,894	7,957	8,366	10,215
- Operating costs:	237,984	241,830	249,076	250,364	249,335
Personnel expenses	171,103	171,365	180,883	182,620	182,869
Other general administrative expenses	81,725	84,128	79,967	81,633	81,371
Other revenues (compensating fees)	(14,844)	(13,663)	(11,774)	(13,889)	(14,905)
- Depreciation	24,888	26,054	26,227	25,961	24,577
- Other operating expenses	10,824	10,687	10,790	10,826	10,751
=Net Operating income	466,202	487,012	531,674	531,558	550,633
- Losses from impairment of assets and provisions to allowances (net)	100,340	63,249	73,001	112,336	110,443
± Other income (net)	22,256	13,485	2,919	17,277	6,107
=Profit before tax	388,118	437,248	461,592	436,499	446,297
- Corporate income tax provision	128,423	144,832	154,540	204,447	140,505
=Consolidated profit for the year	259,695	292,416	307,052	232,052	305,792
- Income attributed to minority interests	16,153	18,086	17,225	13,720	18,157
=Profit attributed to the Group	243,542	274,330	289,827	218,332	287,635

Quarterly Profitability

(Annualized % of ATA)

	2006				2007
	1st	2nd	3rd	4th	1st
Interest and similar revenues	4.20	4.32	4.53	4.72	4.95
- Interest and similar charges	1.70	1.90	2.08	2.36	2.61
+ Revenues from capital instruments	0.03	0.05	0.07	0.02	0.07
=Net interest revenue.	2.53	2.47	2.52	2.38	2.41
+ Revenues from equity method entities	-	-	-	0.01	-
+ Net fees	1.05	1.02	1.06	1.08	0.99
+ Insurance business	0.05	0.04	0.05	0.07	0.06
± Asset trading and exchange profits (net)	0.01	0.05	0.15	0.08	0.09
± Exchange gains (net)	0.06	0.06	0.07	0.06	0.05
=Gross income	3.70	3.64	3.85	3.68	3.60
+ Non-financial service fee revenues (net)	0.04	0.05	0.04	0.04	0.05
- Operating costs:	1.20	1.17	1.18	1.14	1.09
Personnel expenses	0.87	0.83	0.86	0.83	0.80
Other general administrative expenses	0.41	0.41	0.38	0.37	0.36
Other revenues (compensating fees)	(0.08)	(0.07)	(0.06)	(0.06)	(0.07)
- Depreciation	0.13	0.12	0.13	0.12	0.11
- Other operating expenses	0.05	0.05	0.05	0.05	0.05
=Net Operating income	2.36	2.35	2.53	2.41	2.40
- Losses from impairment of assets and provisions to allowances (net)	0.51	0.31	0.35	0.51	0.48
± Other income (net)	0.11	0.07	0.01	0.08	0.03
=Profit before tax	1.96	2.11	2.19	1.98	1.95
- Corporate income tax provision	0.65	0.70	0.73	0.93	0.62
=Consolidated profit for the year	1.31	1.41	1.46	1.05	1.33
- Income attributed to minority interests	0.08	0.09	0.08	0.06	0.08
=Profit attributed to the Group	1.23	1.32	1.38	0.99	1.25
Net return on average risk-weighted assets (RORWA) (%)	1.44	1.56	1.62	1.22	1.55
Net return on average equity (ROE) (%)	20.45	23.03	24.36	18.35	21.85
Leverage	15.58	16.34	16.70	17.42	16.39
Operating efficiency (%)	32.24	31.65	30.52	30.62	29.90
<i>€ million:</i>					
Average total assets	79,132	82,987	84,202	88,106	91,732
Risk-weighted average total assets (RWA)	72,208	75,072	75,778	76,287	79,056
Average total equity	4,764	4,764	4,760	4,760	5,267

Yields and Costs

(Amounts in € thousand and rates annualized)

	3.31.07				3.31.06			
	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)
Financial system	7,399,609	8.07	68,491	3.70	6,492,646	8.20	40,145	2.47
Lending to customers (a)	77,268,850	84.23	1,054,896	5.46	66,648,788	84.23	785,285	4.71
Securities portfolio	1,301,137	1.42	24,870	7.65	638,944	0.81	9,761	6.11
Other earning assets	355,696	0.39	2,392	2.69	345,862	0.44	1,987	2.30
<i>Total earning assets(b)</i>	<i>86,325,292</i>	<i>94.11</i>	<i>1,150,649</i>	<i>5.33</i>	<i>74,126,240</i>	<i>93.68</i>	<i>837,178</i>	<i>4.52</i>
Other assets	5,406,339	5.89	-	-	5,005,286	6.32	-	-
Total assets (c)	91,731,631	100.00	1,150,649	5.02	79,131,526	100.00	837,178	4.23
Financial system	8,906,726	9.71	77,596	3.48	12,233,866	15.46	70,492	2.30
Customer funds (d)	35,443,070	38.64	167,901	1.89	34,061,106	43.04	116,771	1.37
Demand accounts	13,319,556	14.52	32,488	0.98	12,356,839	15.62	18,979	0.61
Savings and time deposits	22,123,514	24.12	135,413	2.45	21,704,267	27.42	97,792	1.80
Marketable debt securities & other	37,255,988	40.61	350,167	3.76	24,010,200	30.34	147,061	2.45
Other interest-bearing liabilities	340,502	0.37	2,087	2.45	364,061	0.46	1,972	2.17
<i>Total interest-bearing liabilities (e)</i>	<i>81,946,286</i>	<i>89.33</i>	<i>597,751</i>	<i>2.92</i>	<i>70,669,233</i>	<i>89.30</i>	<i>336,296</i>	<i>1.90</i>
Other non-interest-bearing liabilities	4,518,538	4.93	-	-	3,698,445	4.68	-	-
Equity	5,266,807	5.74	-	-	4,763,848	6.02	-	-
Total liabilities and equity (f)	91,731,631	100.00	597,751	2.61	79,131,526	100.00	336,296	1.70
<i>Customer spread (a-d)</i>				3.57				3.34
<i>Spread (b-e)</i>				2.41				2.62
<i>Net interest margin (c-f)</i>				2.41				2.53

Quarterly Yields and Costs

(Data in % and rates annualized)

	1st		2nd		3rd		4th		2007 1st	
	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate
Financial system	8.20	2.47	9.09	2.57	8.46	3.24	9.34	3.31	8.07	3.70
Loans and discounts (a)	84.23	4.71	83.68	4.85	84.65	4.99	83.75	5.24	84.23	5.46
Securities portfolio	0.81	6.11	0.69	9.24	0.99	9.09	1.00	3.63	1.42	7.65
Other earning assets	0.44	2.30	0.42	2.81	0.43	2.34	0.39	1.94	0.39	2.69
<i>Total earning assets(b)</i>	<i>93.68</i>	<i>4.52</i>	<i>93.88</i>	<i>4.65</i>	<i>94.53</i>	<i>4.87</i>	<i>94.48</i>	<i>5.02</i>	<i>94.11</i>	<i>5.33</i>
Other assets	6.32	-	6.12	-	5.47	-	5.52	-	5.89	-
Total assets (c)	100.00	4.23	100.00	4.37	100.00	4.60	100.00	4.74	100.00	5.02
Financial system	15.46	2.30	15.59	2.57	12.66	2.93	11.28	3.02	9.71	3.48
Customer funds (d)	43.04	1.37	41.28	1.47	40.38	1.57	39.20	1.71	38.64	1.89
Demand accounts	15.62	0.61	15.26	0.66	15.69	0.81	14.78	0.60	14.52	0.98
Savings and time deposits	27.42	1.80	26.02	1.94	24.69	2.06	24.43	2.37	24.12	2.45
Marketable debt securities & other	30.34	2.45	32.09	2.75	35.50	3.01	38.44	3.50	40.61	3.76
Other interest-bearing liabilities	0.46	2.17	0.43	2.54	0.42	1.98	0.39	1.35	0.37	2.45
<i>Total interest-bearing liabilities (e)</i>	<i>89.30</i>	<i>1.90</i>	<i>89.39</i>	<i>2.13</i>	<i>88.96</i>	<i>2.34</i>	<i>89.31</i>	<i>2.64</i>	<i>89.33</i>	<i>2.92</i>
Other non-interest-bearing liabilities	4.68	-	4.87	-	5.39	-	5.29	-	4.93	-
Equity	6.02	-	5.74	-	5.65	-	5.40	-	5.74	-
Total liabilities and equity (f)	100.00	1.70	100.00	1.90	100.00	2.08	100.00	2.36	100.00	2.61
<i>Customer spread (a-d)</i>	<i>3.34</i>		<i>3.38</i>		<i>3.42</i>		<i>3.53</i>		<i>3.57</i>	
<i>Spread (b-e)</i>	<i>2.62</i>		<i>2.52</i>		<i>2.53</i>		<i>2.38</i>		<i>2.41</i>	
<i>Net interest margin (c-f)</i>	<i>2.53</i>		<i>2.47</i>		<i>2.52</i>		<i>2.38</i>		<i>2.41</i>	

Net Fee Revenues

(Amounts in € thousand)

	3.31.07	3.31.06	% variation
Asset transaction service fees:	26,301	24,181	8.8
Bill discounting	11,890	11,103	7.1
Other	14,411	13,078	10.2
Provision of guarantees and other sureties	30,948	26,600	16.3
Operating services:	168,579	157,144	7.3
Collection and payment handling	55,351	59,911	(7.6)
Securities and foreign currency purchases and sales	7,208	5,870	22.8
Customer financial asset management:	60,857	56,238	8.2
Securities portfolio	7,188	6,434	11.7
Mutual funds	40,282	37,662	7.0
Pension plans	13,387	12,142	10.3
Administration of demand deposits and other	45,163	35,125	28.6
Total	225,828	207,925	8.6

Personnel and general expenses

(Amounts in € thousand)

	3.31.07	3.31.06	% variation
Personnel expenses:	182,869	171,103	6.9
Wages and salaries	137,461	127,787	7.6
Social security charges	33,346	31,735	5.1
Other personnel expenses	4,967	4,750	4.6
Pensions	7,095	6,831	3.9
General expenses:	81,371	81,725	(0.4)
Rents and common services	13,679	12,720	7.5
Communications	6,472	7,993	(19.0)
Maintenance of premises and equipment	5,880	5,985	(1.8)
IT and other technical expenses	18,120	15,801	14.7
Stationery and office supplies	2,269	1,768	28.3
Technical reports and legal expenses	3,323	2,797	18.8
Advertising and publicity	6,677	10,686	(37.5)
Insurance	1,001	1,086	(7.8)
Security and fund transport services	4,528	4,723	(4.1)
Travel	2,948	2,937	0.4
Property taxes, VAT and other.	11,461	11,076	3.5
Other general expenses	5,013	4,153	20.7

Information by segment

As stated in the 2006 Annual Report, the Banco Popular Group is managed and directed at entity level. For the purposes of the information by segment and as indicated in that annual report, the main segment defined is the geographical segment, and the secondary segment is the activity segment. The balance sheet total in each geographical segment reflects the amount corresponding to Spain and Portugal, respectively, disregarding the intra-segment eliminations and adjustments. However, in each of the secondary segments the contribution of each to total assets in the consolidated balance sheet is shown.

The information by geographical segment is as follows:

	3.31.07		3.31.06		% variation	
	España	Portugal	España	Portugal	España	Portugal
Net interest income	512,956	39,942	462,855	38,027	10.8	5.0
Gross income	772,184	52,897	684,047	47,594	12.9	11.1
Net operating income	521,896	28,737	440,187	26,015	18.6	10.5
Profit before tax	426,472	19,825	376,439	11,679	13.3	69.7
Consolidated profit	290,919	14,873	249,961	9,734	16.4	52.8
Profit attributed to the Group	273,041	14,594	234,139	9,403	16.6	55.2
<hr/>						
Total assets	86,802,595	7,305,980	73,970,260	6,446,731	17.3	13.3
Total liabilities and equity	90,434,057	3,674,518	76,698,269	3,718,722	17.9	(1.2)
Intra-group financing	3,631,462	(3,631,462)	2,728,009	(2,728,009)	33.1	33.1
Number of employees	12,888	1,279	12,615	1,268	2.2	0.9
Number of branch offices	2,258	203	2,229	174	1.3	16.7

The breakdown by business activity segment is as follows

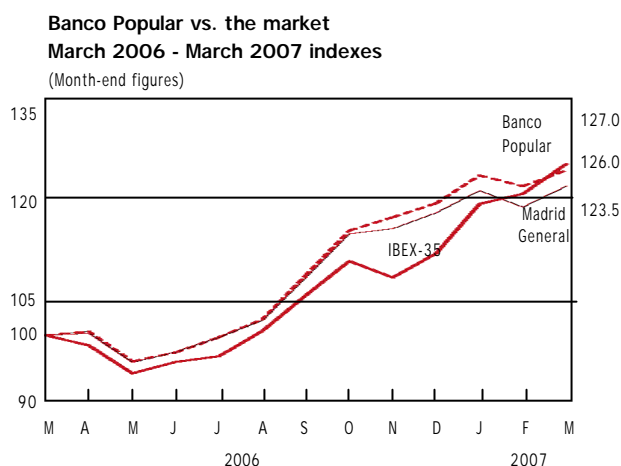
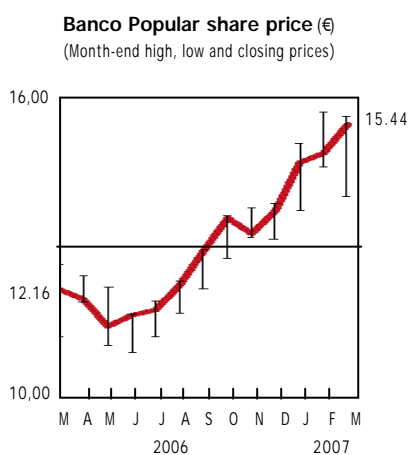
	Consolidated profit			Total assets		
	3.31.07	3.31.06	% variation	3.31.07	3.31.06	% variation
Asset management	14,335	16,558	(13.4)	1,770,171	867,391	>
Insurance activity	8,205	4,775	71.8	1,057,098	719,467	46.9
Commercial banking	253,298	211,621	19.7	79,743,191	69,749,622	14.3
Corporate and markets	29,954	26,741	12.0	11,538,115	9,080,511	27.1
Total	305,792	259,695	17.8	94,108,575	80,416,991	17.0

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		
2006 1st	1,215,433	550,495	45.29	13.25	9.99	12.16	0.0904	18.9
2nd	1,215,433	446,645	36.75	12.50	10.91	11.65	0.0909	(3.4)
3rd	1,215,433	396,338	32.61	13.00	11.17	12.93	0.0919	11.8
4th	1,215,433	527,940	43.44	13.83	12.73	13.73	0.1026	7.0
Year total	1,215,433	1,921,418	158.09	13.83	9.99	13.73	0.3758	36.9
2007 1st	1,215,433	577,638	47.53	15.65	13.73	15.44	0.1033	13.2

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



Market ratios	3.31.07	3.31.06
Price / Book value	3.38	2.95
Price / Earnings (PE ratio)	16.3	15.2
Dividend return*	2.68	2.97

* 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)
2006								
First quarter	60	150	-	71	1,215,433	550,495	-	0.01
Second quarter	301	740	64	647	1,215,433	446,645	0.02	0.07
Third quarter	375	647	202	271	1,215,433	396,338	0.03	0.09
Fourth quarter	143	275	112	116	1,215,433	527,940	0.01	0.03
2007								
First quarter	201	1,946	64	167	1,215,433	577,638	0.02	0.03

* 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.

Basis of presentation

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

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 2006 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) Revenues:

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 revenues 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 for sale. This heading is used to record foreclosed assets.

F) Financial liabilities classified as capital. Issues of preferred shares launched by the Banco Popular Group qualify as liabilities and the remuneration on them therefore forms part of the financial cost.

Disclaimer

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

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

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