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# Annual results

## Highlights

(Amounts in € thousand)

### Business volume

	12.31.06	12.31.05	Var. %
Total assets managed	109,307,027	93,038,481	17.5
On-balance sheet total assets	91,650,434	77,697,748	18.0
Total equity	5,529,203	4,989,779	10.8
Funds managed:	91,157,636	73,405,706	24.2
On-balance sheet funds	73,501,043	58,064,973	26.6
Other intermediated funds	17,656,593	15,340,733	15.1
Lending to customers (gross)	77,327,856	66,323,318	16.6
Contingent risks	11,281,128	9,611,758	17.4

### Solvency

BIS ratio (%)	9.87	10.15	
Of which: Tier 1 (%)	8.02	8.09	

### Risk management

Total risks	88,608,984	75,935,076	16.7
Nonperforming loans	635,537	591,043	7.5
Allowances for credit losses	1,665,060	1,469,927	13.3
% nonperforming ratio	0.72	0.78	
% coverage (Credit loss allowance/Nonperforming loans)	261.99	248.70	

### Income statements

Net interest revenue	2,067,530	1,888,427	9.5
Ordinary revenue	3,107,483	2,764,446	12.4
Operating income	2,016,446	1,725,789	16.8
Income before taxes	1,723,457	1,414,483	21.8
Consolidated income for the period	1,091,215	937,605	16.4
Income attributed to the Group	1,026,031	877,749	16.9

### Net return and efficiency

Average total assets	83,606,636	70,991,463	17.8
Average total equity	4,761,291	4,292,935	10.9
ROA (%)	1.31	1.32	
ROE (%)	21.55	20.45	
Operating efficiency (%)*	31.23	33.23	

### Per share data\*\*

Final number of shares (thousands)	1,215,433	1,215,433	-
Average number of shares (thousands)	1,215,212	1,199,606	1.3
Share closing market price (€)	13.73	10.30	33.3
Market capitalization	16,687,888	12,518,955	33.3
Share book value (€)	4.55	4.11	10.8
Net income per share (€)	0.844	0.732	15.4
Dividend per share paid in the period (€)	0.3758	0.3562	5.5
Price/Book value	3.02	2.51	
Price/Earnings (annualized)	16.3	14.1	

### Other data

Shareholders	106,181	99,451	6.8
Employees	14,056	13,804	1.8
Spain	12,636	12,378	2.1
Abroad	1,420	1,426	(0.4)
Branches	2,443	2,385	2.4
Spain	2,227	2,202	1.1
Abroad	216	183	18.0
ATMs	3,411	3,321	2.7

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

\*\* Figures adjusted for the 5x1 split in June 21, 2005

The Group's consolidated financial statements as of December 31, 2006, the audit of which is being finalized, have been prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU), which are consistent with those used in preparing the audited financial statements in the 2005 Annual Report.

## Salient aspects

In 2006 Banco Popular reached two milestones: it surpassed the objectives of the Suma Plan and it successfully carried out a change of strategy aimed at strengthening profitability and equity and anticipating the change in the property cycle.

The prime objective of the Suma Plan, which the Group imposed on itself three years ago, was to achieve in 2006 attributed income of €1,000 million. The result for 2006 was income of €1,026 million, with a growth rate in the year of 16.9%. Excluding a last-minute impact, namely the negative effect on the year of the new corporate taxation described on page 20 of this report, the attributed income would have stood at €1,085 million, representing growth of 23.6%; these earnings might be said to be the "natural" or proper result of the Group's income statement in the absence of outside extraordinary results. Comparison of Banco Popular's income statement during 2006 with those of other relevant Spanish institutions discloses that the earnings that the Bank generated reflect a higher capability of recurrence since they are comparatively less influenced by exceptional extraordinary revenues.

As regards the change of strategy, the consequences of management's decision to persist in strengthening margins and capital were apparent throughout the year; with an improvement in the outlook of the former, and an increase of 6 basis points in core capital for the year. Despite this general objective, there will still be specific quarters in which margins will decline because of the negative short-term effect of interest rate rises which, however, will lead to a strong upturn in margins and earnings at longer term.

The restructuring of growth continued, with a reduction in the dependence on mortgage lending, which was up 16.2%, whereas unsecured loans and credits to private sector borrowers – other term loans – grew spectacularly at an annual rate of 22.6%. Private trade loans and discounts performed excellently throughout the year, at a sustained double-digit year-on-year growth rate which ended at nearly 13%. The dynamic performance of credit was made compatible with the improvement in its quality, with the nonperforming ratio again declining, from 0.78% in 2005 to 0.72% in 2006, with a rise in the credit allowance coverage to 262%.

The strength of fee revenue earnings intensified progressively during 2006, especially in fees for guarantees and other contingent risks, which were up 32% in the year. Also noteworthy was the 21.5% growth in net means of payment fees in the year, as a result of a sharp decline in the fees paid. The 14.6% year-on-year growth in asset management fees matched the increase in the assets under management, where Banco Popular yet again outperformed the sector as a whole.

Despite the sharp increase in the cost of funding because of the rise in interest rates in the closing months of the year, the soundness of the growth of revenues led to sustained acceleration of the ordinary revenue, which rose from growing at 9.6% year on year in 2005 to 12.4% at the end of 2006. The selective control of expenses, especially general expenses, which rose moderately at 3.5% year on year, led to faster growth in operating income at an annual rate of 16.8%. This strength in operating revenues led to growth of 21.8% in income before taxes.

Despite the extraordinary tax cost mentioned earlier, the ROE was 21.5%, an improvement 110 basis points on 2005. The efficiency ratio recorded a further improvement of exceptional magnitude of 200 basis points in the year and stood at 31.23% at the end of 2006.

The increased profitability and efficiency and the moderation of expenses were achieved despite the effort involved in the ongoing expansion of all the Group's distribution networks and, in particular, of the branch offices, the number of which increased by 58, of which 33 were in Portugal where the Group now has 200 branch offices. With the same forward-looking approach, very vigorous efforts were made to expand the customer base and more than 408,000 net new customers were added, including nearly 30,000 business customers.

## Balance Sheet

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
<b>Assets</b>			
Cash and due from central banks . . . . .	1,502,261	959,545	56.6
Trading portfolio . . . . .	2,588,379	1,385,503	86.8
Other financial assets at fair value with changes in P&L . . . . .	400,252	311,467	28.5
Available-for-sale financial assets . . . . .	697,392	890,521	(21.7)
Loans and discounts:	84,144,648	71,425,197	17.8
Lending to customers . . . . .	75,897,896	65,000,869	16.8
Other loans and discounts . . . . .	8,246,752	6,424,328	28.4
Held-to-maturity investment portfolio . . . . .	441	455	(3.1)
Asset hedging derivatives . . . . .	205,752	442,221	(53.5)
Non-current assets for sale . . . . .	129,034	98,646	30.8
Participating interests . . . . .	17,488	22,007	(20.5)
Pension-linked insurance contracts . . . . .	223,846	240,556	(6.9)
Reinsurance assets . . . . .	3,866	4,010	(3.6)
Tangible assets . . . . .	707,359	724,616	(2.4)
Intangible assets . . . . .	369,232	362,548	1.8
Tax assets . . . . .	555,969	660,596	(15.8)
Accrual accounts . . . . .	23,143	45,515	(49.2)
Other asset accounts . . . . .	81,372	124,345	(34.6)
<b>Total assets . . . . .</b>	<b>91,650,434</b>	<b>77,697,748</b>	<b>18.0</b>
<b>Liabilities</b>			
Trading portfolio . . . . .	511,239	340,869	50.0
Other financial liabilities at fair value with changes in P&L . . . . .	43,830	-	
Financial liabilities at amortized cost:	82,440,853	69,767,490	18.2
Deposits of credit institutions . . . . .	8,393,081	11,268,799	(25.5)
Customer deposits . . . . .	36,941,191	34,882,497	5.9
Bonds and other marketable debt securities . . . . .	35,096,737	21,621,592	62.3
Subordinated liabilities . . . . .	1,023,156	1,122,616	(8.9)
Other financial liabilities . . . . .	986,688	871,986	13.2
Hedging derivatives . . . . .	338,695	166,561	>
Insurance contract liabilities . . . . .	844,410	618,364	36.6
Allowances . . . . .	495,528	501,435	(1.2)
Tax liabilities . . . . .	232,960	175,436	32.8
Accrual accounts . . . . .	317,450	271,020	17.1
Other liabilities accounts . . . . .	70,929	71,286	(0.5)
Financial liabilities classified as capital . . . . .	439,959	438,268	0.4
<b>Total liabilities . . . . .</b>	<b>85,735,853</b>	<b>72,350,729</b>	<b>18.5</b>
<b>Net worth</b>			
Minority interests . . . . .	361,178	342,455	5.5
Valuation adjustments . . . . .	24,200	14,785	63.7
Equity . . . . .	5,529,203	4,989,779	10.8
Capital, reserves and retained earnings . . . . .	4,753,413	4,331,537	9.7
Income for the period . . . . .	1,026,031	877,749	16.9
Dividends paid and declared . . . . .	(250,241)	(219,507)	14.0
<b>Total net worth . . . . .</b>	<b>5,914,581</b>	<b>5,347,019</b>	<b>10.6</b>
<b>Total net worth and liabilities . . . . .</b>	<b>91,650,434</b>	<b>77,697,748</b>	<b>18.0</b>
<i>Pro-memoria:</i>			
Contingent risks . . . . .	11,281,128	9,611,758	17.4
Contingent commitments . . . . .	19,023,187	18,659,159	2.0

## Business Performance

The Banco Popular Group ended the 2006 business year with a notable purely organic expansion of its business volumes, particularly lending to customers.

At December 31, 2006, the Group's total on-balance sheet assets amounted to €91,650 million, an increase of €13,953 million in the last twelve months, a year-on-year growth rate of 18.0%.

The off-balance sheet assets managed increased by 15.1% driven by asset management (up 24.3%), mutual funds (up 15.2%), and pension plans (up 11.6%).

Accordingly, the Group's total business volume at December 31 was therefore €109,307 million, up 17.5% year on year.

Lending to the Group's customers, which represented 84.4% of total assets, totaled €77,328 million, an increase of 16.6% in the last twelve months. 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 16.2%; and commercial paper discounting was 12.5% up.

The contingent risks were 17.4% higher at €11,281 million, with collateral and other guarantees provided up by 18.8%.

Total on-balance sheet funds (customer deposits, marketable debt securities, subordinated debt and financial liabilities classified as capital) amounted to €73,501 million at December 31, 2006, a year-on-year increase of 26.6%.

Retail liabilities – demand deposits, time deposits and commercial paper – were up 8.0% year on year and were the main source of balance sheet funding with an approximate contribution thereto of 59%. Wholesale funding – interbank borrowing, commercial paper, bonds, securitization and covered bonds ("cédulas") – provided 39% 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 terms and in sources of funding. The remaining 2% of borrowed funds consisted of preference shares and subordinated debt.

At December 31, 2006, the balance of doubtful receivables was €636 million. This was €44 million (7.5%) more than in 2005, but much lower than the 16.7% 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 risks), stood at 0.72%, a reduction of 6 basis points in the last twelve months.

In addition to the low level of nonperforming loans, the Group had allowances covering 262.0% of the doubtful assets balance, which was 13 percentage points more than at the end of December 2005.

The Group's solvency was firmly based not only on its BIS ratio of 9.87% at December end, but also on the composition thereof, with 68.3% being core capital and 81.3% being Tier I capital. Noteworthy was the 6 basis points improvement in core capital in 2006, as a result of active management of the weighted risks, which increased by only 9.6%, compared with the 18.0% increase in total assets.

By business area, retail banking accounted for 84.5% of the total assets and contributed 79.1% of the balance sheet growth, with a year-on-year increase of 16.6%.

By geographical area, 92.0% of the assets were from the business in Spain, with the business in Portugal contributing the remaining 8.0%. The growth in assets in Spain was 18.2% and in Portugal was 17.4%.

## Funds Managed

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
Customer deposits without adjustments . . . . .	36,760,932	34,726,306	5.9
<i>From public authorities</i> . . . . .	2,929,496	1,548,108	89.2
<i>Other private sectors</i> . . . . .	33,831,436	33,178,198	2.0
Residents . . . . .	28,553,896	27,839,095	2.6
Nonresidents. . . . .	5,277,540	5,339,103	(1.2)
Valuation adjustments (+/-) . . . . .	180,259	156,191	15.4
Total customer deposits . . . . .	36,941,191	34,882,497	5.9
Bonds and other debt securities without adjustments: . . . .	34,976,930	21,406,891	63.4
Bonds and other debt securities outstanding . . . . .	24,878,023	15,287,658	62.7
Promissory notes . . . . .	10,098,907	6,119,233	65.0
Valuation adjustments (+/-) . . . . .	119,807	214,701	(44.2)
Total bonds and other debt securities. . . . .	35,096,737	21,621,592	62.3
Subordinated liabilities . . . . .	1,023,156	1,122,616	(8.9)
Financial liabilities classified as capital . . . . .	439,959	438,268	0.4
<b>Total on-balance sheet funds (a) . . . . .</b>	<b>73,501,043</b>	<b>58,064,973</b>	<b>26.6</b>
Mutual funds . . . . .	12,130,633	10,531,263	15.2
Asset portfolio management . . . . .	1,550,041	1,247,357	24.3
Pension funds . . . . .	3,975,919	3,562,113	11.6
<b>Total other intermediated funds (b) . . . . .</b>	<b>17,656,593</b>	<b>15,340,733</b>	<b>15.1</b>
<b>Total (a+b) . . . . .</b>	<b>91,157,636</b>	<b>73,405,706</b>	<b>24.2</b>

## Deposits of other private sectors

(Amounts in € thousand )

	12.31.06	12.31.05	%variation
Demand deposits . . . . .	12,333,147	11,715,036	5.3
Savings deposits . . . . .	5,965,910	5,887,268	1.3
Time deposits . . . . .	13,274,700	13,712,488	(3.2)
Assets sold under repurchase agreements . . . . .	1,935,237	1,584,098	22.2
Other . . . . .	322,442	279,308	15.4
<b>Total. . . . .</b>	<b>33,831,436</b>	<b>33,178,198</b>	<b>2.0</b>

## Lending to customers

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
<i>Lending to Public Authorities</i> . . . . .	114,331	114,645	(0.3)
<i>Lending to other private sectors</i> . . . . .	77,213,525	66,208,673	16.6
Residents . . . . .	69,977,356	59,702,812	17.2
Nonresidents . . . . .	7,236,169	6,505,861	11.2
Total lending to customers . . . . .	77,327,856	66,323,318	16.6
Valuation adjustments (+/-) . . . . .	(1,429,960)	(1,322,449)	8.1
<b>Total</b> . . . . .	<b>75,897,896</b>	<b>65,000,869</b>	<b>16.8</b>

## Lending to other private sectors

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
Trade loans and discounts . . . . .	7,497,041	6,665,560	12.5
Secured loans . . . . .	42,268,412	36,377,449	16.2
Mortgage loans . . . . .	42,046,914	36,176,453	16.2
Other . . . . .	221,498	200,996	10.2
Asset repos . . . . .	-	121	
Other term loans . . . . .	21,213,646	17,303,135	22.6
Leasing . . . . .	3,622,224	3,413,566	6.1
Overdrafts and other . . . . .	2,001,351	1,868,254	7.1
Nonperforming loans . . . . .	610,851	580,588	5.2
<b>Total lending to private sectors</b> . . . . .	<b>77,213,525</b>	<b>66,208,673</b>	<b>16.6</b>

## Risk Management Performance\*

(Amounts in € thousand)

	12.31.06	12.31.05	Variation	
			Amount	%
<b>Nonperforming loans:</b>				
Balance at January 1	591,043	612,549	(21,506)	(3.5)
Net variation for the year	219,906	109,458	110,448	>
% increase	37.2	17.9		
Writeoffs	(175,412)	(130,964)	(44,448)	33.9
Balance at December 31	635,537	591,043	44,494	7.5
<b>Allowance for credit losses:</b>				
Balance at January 1	1,469,927	1,218,802	251,125	20.6
Annual provision:				
Gross	448,672	492,608	(43,936)	(8.9)
Recoveries	(82,438)	(102,164)	19,726	(19.3)
Net	366,234	390,444	(24,210)	(6.2)
Other variations	1,195	(15,365)	16,560	
Writeoffs	(172,296)	(123,954)	(48,342)	39.0
Balance at December 31	1,665,060	1,469,927	195,133	13.3
<b>Pro memoria:</b>				
Total risks	88,608,984	75,935,076	12,673,908	16.7
Loans transferred to suspense accounts	1,162,633	1,087,103	75,530	6.9
<b>Risk quality measures (%):</b>				
Nonperformance (Nonperforming loans/Total risks)	0.72	0.78	(0.06)	
Insolvency (Writeoffs/Total risks)	0.20	0.17	0.03	
Coverage (Credit loss allowance/Nonperforming loans)	261.99	248.70	13.29	

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

<b>Credit loss allowances</b>	Specific	General	Country risk	Total
Balance at January 1	218,675	1,244,529	6,723	1,469,927
Net provisions	184,479	183,822	(2,067)	366,234
Amount used	(172,296)	-	-	(172,296)
Other variations and transfers	(2,129)	3,303	21	1,195
Balance at December 31	228,729	1,431,654	4,677	1,665,060

## Solvency

(Amounts in € thousand)	12.31.06	12.31.05	% variation
Common stock	121,543	121,543	-
Reserves	4,630,678	4,207,397	10.1
Minority interests	303,679	289,679	4.8
Retained earnings in the period	551,450	468,992	17.6
Deductions	(405,629)	(383,058)	5.9
<b>Total core capital</b>	<b>5,201,721</b>	<b>4,704,553</b>	<b>10.6</b>
<i>Core capital (%)</i>	<i>6.74</i>	<i>6.68</i>	
Preferred shares and equity interests	988,000	988,000	-
<b>Total Tier 1 Capital</b>	<b>6,189,721</b>	<b>5,692,553</b>	<b>8.7</b>
<i>Tier 1 ratio (%)</i>	<i>8.02</i>	<i>8.09</i>	
<b>Total Tier 2 Capital</b>	<b>1,423,614</b>	<b>1,455,746</b>	<b>(2.2)</b>
<b>BIS computable capital</b>	<b>7,613,335</b>	<b>7,148,299</b>	<b>6.5</b>
Capital cushion	1,442,123	1,516,908	(4.9)
<i>BIS ratio (%)</i>	<i>9.87</i>	<i>10.15</i>	
<i>Pro memoria:</i>			
Total BIS risk-weighted assets	77,140,156	70,392,385	9.6

## Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net worth
<b>Adjusted balance at 12.31.2004</b>	<b>3,757,744</b>	<b>8,873</b>	<b>309,973</b>	<b>4,076,590</b>
Capital increase (BPE)	792,850	-	-	792,850
Treasury stock	4,599	-	-	4,599
Consolidation adjustments (net)	(4,649)	-	(1,941)	(6,590)
Valuation adjustments	-	5,912	151	6,063
2005 net income	877,749	-	59,856	937,605
Dividends	(437,070)	-	(25,584)	(462,654)
Others	(1,444)	-	-	(1,444)
<b>Balance at 12.31.2005</b>	<b>4,989,779</b>	<b>14,785</b>	<b>342,455</b>	<b>5,347,019</b>
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)
<b>Balance at 12.31.2006</b>	<b>5,529,203</b>	<b>24,200</b>	<b>361,178</b>	<b>5,914,581</b>

## Consolidated Income

The net interest revenue of €2,068 million at December 31 was 9.5% higher than at the end of 2005. This good performance of net interest revenue was the result of outstanding balance sheet growth and appropriate management of asset and fund prices.

The net fee revenues performed very well in 2006 and amounted to €881 million, a year-on-year growth of 11.5%. The drivers of this growth were the fees for the provision of collateral and other guarantees (up 32.0%), mutual fund fees (up 16.6%) and fees for collection and payment mediation services (up 10.1%).

Insurance activity revenues also performed very positively, with an increase of 73.2% in the year, supported by the growth in the business and by the purchase by the Banco Popular Group in October 2005 of the remaining 50% of the Portuguese Eurovida company.

Asset trading and exchange profits amounted to €60 million, an increase of €44 million in 2006 as a result of greater activity in the capital markets and the capital gain on the sale, in the third quarter of 2006, of the shares held by the Banco Popular Group in Bolsas & Mercados Españoles.

The greater activity in the capital markets, which generated substantial profits, involved higher needs for funding in interbank markets with the consequent increase in financial costs. This lowered the net interest revenue in favor of asset trading and exchange profits, and these effects were offset in the ordinary revenue, after inclusion of the profits and costs of this activity.

Ordinary revenue, encompassing all the Group's financial activity (banking business and insurance), amounted to €3,107 million at December 31, 2006, a notable rise of 12.4% year on year.

Operating costs relating to personnel and administrative expenses, net of expense-compensating fees, were up 5.7% over 2005, as a result of rises of 6.2% in personnel expenses and of 3.5% in general expenses, which was much lower than the rate in 2005 and had a declining profile in 2006. This moderation, which was announced at the beginning of the year, was made compatible with the opening of new branch offices, the addition of new customers, and the growth of certain items such as technical resources (up 34.1%) which was the major item in general expenses.

The efficiency ratio, i.e. the portion of ordinary revenue and income from nonfinancial services absorbed by operating costs (net of compensating fees), was 31.23%, an outstanding improvement of 200 basis points over the figure for December 2005.

The operating income of €2,016 million at December 31 was 16.8% higher than in 2005.

The losses for impairment of assets amounted to €310 million, equivalent to an implicit annual risk premium of 0.44% on the average balance of lending to customers, compared with the premium of 0.59% one year earlier. At December 31, 2006, the general allowance of €1,432 million had practically reached the maximum limit envisaged under current regulations.

The "Other income (net)" caption reflects a contribution to gross income of €56 million, substantially all of which related to the disposal of tangible assets.

The pre-tax income of €1,723 million in 2006 was 21.8% higher year on year.

The tax of €632 million on income represented a substantial increase of 32.6% in the year, as a result of the negative impact on earnings (€62 million) of the reduction starting in 2007 of the general tax rate of corporate income tax in Spain and Portugal to adjust the asset and liability timing differences recorded in the Group's balance sheet.

Despite this negative effect, the income attributed to the Banco Popular Group amounted to €1,026 million in 2006, an increase of 16.9% over 2005. Without the aforementioned impact, the income attributed to the Group would have amounted to €1,085 million, 23.6% more than in 2005.

The earnings per share of €0.844 in 2006 were 15.4% higher than in 2005.

## Consolidated income

	(Amounts in € thousand)			(Annualized % of ATA)		
	12.31.06	12.31.05	% variation	12.31.06	12.31.05	Variation
Interest and similar revenues . . . . .	3,719,559	2,959,547	25.7	4.45	4.17	0.28
- Interest and similar charges . . . . .	1,689,034	1,089,681	55.0	2.02	1.54	0.48
+ Revenues from capital instruments . . . . .	37,005	18,561	99.4	0.04	0.03	0.01
<b>=Net interest revenue . . . . .</b>	<b>2,067,530</b>	<b>1,888,427</b>	<b>9.5</b>	<b>2.47</b>	<b>2.66</b>	<b>(0.19)</b>
+ Revenues from equity method entities . . . . .	3,097	1,458	>	-	-	-
+ Net fees . . . . .	880,579	789,993	11.5	1.05	1.11	(0.06)
+ Insurance business . . . . .	45,163	26,083	73.2	0.06	0.04	0.02
± Asset trading and exchange profits (net)	59,948	16,290	>	0.08	0.02	0.06
± Exchange gains (net) . . . . .	51,166	42,195	21.3	0.06	0.06	-
<b>=Ordinary revenue . . . . .</b>	<b>3,107,483</b>	<b>2,764,446</b>	<b>12.4</b>	<b>3.72</b>	<b>3.89</b>	<b>(0.17)</b>
+ Non-financial service fee revenues (net) . . . . .	34,474	29,941	15.1	0.04	0.04	-
- Operating costs:	979,254	926,600	5.7	1.17	1.30	(0.13)
Personnel expenses . . . . .	705,971	664,521	6.2	0.84	0.94	(0.10)
Other general administrative expenses . . . . .	327,453	316,482	3.5	0.39	0.44	(0.05)
Other revenues (compensating fees) . . . . .	(54,170)	(54,403)	(0.4)	(0.06)	(0.08)	0.02
- Depreciation . . . . .	103,130	100,208	2.9	0.13	0.14	(0.01)
- Other operating expenses . . . . .	43,127	41,790	3.2	0.05	0.06	(0.01)
<b>=Operating income . . . . .</b>	<b>2,016,446</b>	<b>1,725,789</b>	<b>16.8</b>	<b>2.41</b>	<b>2.43</b>	<b>(0.02)</b>
- Losses from impairment of assets and provisions to allowances (net) . . . . .	348,926	349,174	(0.1)	0.42	0.50	(0.08)
± Other income (net) . . . . .	55,937	37,868	47.7	0.07	0.06	0.01
<b>=Income before taxes . . . . .</b>	<b>1,723,457</b>	<b>1,414,483</b>	<b>21.8</b>	<b>2.06</b>	<b>1.99</b>	<b>0.07</b>
- Corporate income tax provision . . . . .	632,242	476,878	32.6	0.75	0.67	0.08
<b>=Consolidated income for the period . . . . .</b>	<b>1,091,215</b>	<b>937,605</b>	<b>16.4</b>	<b>1.31</b>	<b>1.32</b>	<b>(0.01)</b>
- Income attributed to minority interests . . . . .	65,184	59,856	8.9	0.08	0.08	-
<b>=Income attributed to the Group . . . . .</b>	<b>1,026,031</b>	<b>877,749</b>	<b>16.9</b>	<b>1.23</b>	<b>1.24</b>	<b>(0.01)</b>

Net return on average risk-weighted assets (RORWA) (%) . . . . .	1.46	1.45	0.01
Net return on average equity (ROE) (%) . . . . .	21.55	20.45	1.10
Leverage . . . . .	16.51	15.48	1.03
Operating efficiency (%) . . . . .	31.23	33.23	(2.0)

€ million:

Average total assets . . . . .	83,607	70,991	12,616
Risk-weighted average total assets (RWA) . . . . .	74.836	64,607	10.229
Average total equity . . . . .	4,761	4,293	468

## Quarterly Consolidated Income

(Amounts in € thousand)

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

	2005			
	1st	2nd	3rd	4th
Interest and similar revenues . . . . .	693,442	724,679	756,251	785,175
- Interest and similar charges . . . . .	244,498	262,242	279,275	303,666
+ Revenues from capital instruments . . . . .	3,159	5,986	4,796	4,620
<b>= Net interest revenue . . . . .</b>	<b>452,103</b>	<b>468,423</b>	<b>481,772</b>	<b>486,129</b>
+ Revenues from equity method entities . . . . .	699	1,081	680	(1,002)
+ Net fees . . . . .	186,361	194,489	199,180	209,963
+ Insurance business . . . . .	4,638	4,614	6,362	10,469
± Asset trading and exchange profits (net) . . . . .	11,036	(5,811)	11,812	(747)
± Exchange gains (net) . . . . .	8,413	10,211	9,938	13,633
<b>= Ordinary revenue . . . . .</b>	<b>663,250</b>	<b>673,007</b>	<b>709,744</b>	<b>718,445</b>
+ Non-financial service fee revenues (net) . . . . .	7,737	8,140	6,668	7,396
- Operating costs:	216,061	220,696	239,192	250,651
Personnel expenses . . . . .	160,201	160,532	168,986	174,802
Other general administrative expenses . . . . .	69,877	74,581	82,065	89,959
Other revenues (compensating fees) . . . . .	(14,017)	(14,417)	(11,859)	(14,110)
- Depreciation . . . . .	24,006	23,979	24,124	28,099
- Other operating expenses . . . . .	10,452	10,319	10,546	10,473
<b>= Operating income . . . . .</b>	<b>420,468</b>	<b>426,153</b>	<b>442,550</b>	<b>436,618</b>
- Losses from impairment of assets and provisions to allowances (net) . . . . .	88,671	79,083	93,488	87,932
± Other income (net) . . . . .	8,442	4,006	15,991	9,429
<b>= Income before taxes . . . . .</b>	<b>340,239</b>	<b>351,076</b>	<b>365,053</b>	<b>358,115</b>
- Corporate income tax provision . . . . .	115,191	122,012	122,362	117,313
<b>= Consolidated income for the period . . . . .</b>	<b>225,048</b>	<b>229,064</b>	<b>242,691</b>	<b>240,802</b>
- Income attributed to minority interests . . . . .	13,349	14,263	15,926	16,318
<b>= Income attributed to the Group . . . . .</b>	<b>211,699</b>	<b>214,801</b>	<b>226,765</b>	<b>224,484</b>

## Quarterly Profitability

(Annualized % of ATA)

	2005				2006			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Interest and similar revenues . . . . .	4.14	4.23	4.19	4.13	4.20	4.32	4.53	4.72
- Interest and similar charges . . . . .	1.46	1.53	1.55	1.60	1.70	1.90	2.08	2.36
+Revenues from capital instruments . . . . .	0.02	0.03	0.03	0.02	0.03	0.05	0.07	0.02
<b>=Net interest revenue . . . . .</b>	<b>2.70</b>	<b>2.73</b>	<b>2.67</b>	<b>2.55</b>	<b>2.53</b>	<b>2.47</b>	<b>2.52</b>	<b>2.38</b>
+Revenues from equity method entities . . . . .	-	0.01	-	(0.01)	-	-	-	0.01
+Net fees . . . . .	1.11	1.14	1.10	1.10	1.05	1.02	1.06	1.08
+Insurance business . . . . .	0.03	0.03	0.03	0.06	0.05	0.04	0.05	0.07
±Asset trading and exchange profits (net)	0.07	(0.03)	0.07	-	0.01	0.05	0.15	0.08
±Exchange gains (net) . . . . .	0.05	0.05	0.06	0.07	0.06	0.06	0.07	0.06
<b>=Ordinary revenue . . . . .</b>	<b>3.96</b>	<b>3.93</b>	<b>3.93</b>	<b>3.77</b>	<b>3.70</b>	<b>3.64</b>	<b>3.85</b>	<b>3.68</b>
+ Non-financial service fee revenues (net) . . . . .	0.04	0.05	0.04	0.04	0.04	0.05	0.04	0.04
- Operating costs:	1.29	1.31	1.31	1.32	1.20	1.17	1.18	1.14
Personnel expenses . . . . .	0.95	0.94	0.94	0.92	0.87	0.83	0.86	0.83
Other general administrative expenses . . . . .	0.42	0.44	0.45	0.47	0.41	0.41	0.38	0.37
Other revenues (compensating fees) . . . . .	(0.08)	(0.07)	(0.08)	(0.07)	(0.08)	(0.07)	(0.06)	(0.06)
- Depreciation . . . . .	0.14	0.14	0.13	0.15	0.13	0.12	0.13	0.12
- Other operating expenses . . . . .	0.06	0.06	0.06	0.05	0.05	0.05	0.05	0.05
<b>=Operating income . . . . .</b>	<b>2.51</b>	<b>2.49</b>	<b>2.45</b>	<b>2.29</b>	<b>2.36</b>	<b>2.35</b>	<b>2.53</b>	<b>2.41</b>
- Losses from impairment of assets and provisions to allowances (net) . . . . .	0.53	0.46	0.52	0.46	0.51	0.31	0.35	0.51
±Other income (net) . . . . .	0.05	0.02	0.09	0.05	0.11	0.07	0.01	0.08
<b>=Income before taxes . . . . .</b>	<b>2.03</b>	<b>2.05</b>	<b>2.02</b>	<b>1.88</b>	<b>1.96</b>	<b>2.11</b>	<b>2.19</b>	<b>1.98</b>
- Corporate income tax provision . . . . .	0.69	0.71	0.68	0.61	0.65	0.70	0.73	0.93
<b>=Consolidated income for the period . . . . .</b>	<b>1.34</b>	<b>1.34</b>	<b>1.34</b>	<b>1.27</b>	<b>1.31</b>	<b>1.41</b>	<b>1.46</b>	<b>1.05</b>
- Income attributed to minority interests . . . . .	0.08	0.09	0.08	0.09	0.08	0.09	0.08	0.06
<b>=Income attributed to the Group . . . . .</b>	<b>1.26</b>	<b>1.25</b>	<b>1.26</b>	<b>1.18</b>	<b>1.23</b>	<b>1.32</b>	<b>1.38</b>	<b>0.99</b>
Net return on average risk-weighted assets (RORWA) (%) . . . . .	1.51	1.44	1.47	1.40	1.44	1.56	1.62	1.22
Net return on average equity (ROE) (%) . . . . .	20.31	19.81	20.92	20.73	20.45	23.03	24.36	18.35
Leverage . . . . .	15.13	14.82	15.57	16.38	15.58	16.34	16.70	17.42
Operating efficiency (%) . . . . .	32.29	32.49	33.44	34.60	32.24	31.65	30.52	30.62
<i>€ million:</i>								
Average total assets . . . . .	67,055	68,524	72,259	76,127	79,132	82,987	84,202	88,106
Risk-weighted average total assets (RWA) . . . . .	59,709	63,641	66,238	68,897	72,208	75,072	75,778	76,287
Average total equity . . . . .	4,169	4,337	4,336	4,331	4,764	4,764	4,759	4,760

## Yields and Costs

(Amounts in € thousand and rates annualized )

	12.31.06				12.31.05			
	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)
Financial system . . . . .	7,348,453	8.79	214,462	2.92	5,792,900	8.16	128,566	2.22
Lending to customers (a) . . . . .	70,289,046	84.07	3,484,037	4.96	59,308,546	83.54	2,812,081	4.74
Securities portfolio . . . . .	730,417	0.87	49,820	6.82	727,169	1.02	29,671	4.08
Other earning assets . . . . .	350,860	0.42	8,245	2.35	338,842	0.48	7,790	2.30
<i>Total earning assets(b)</i> . . . . .	<i>78,718,776</i>	<i>94.15</i>	<i>3,756,564</i>	<i>4.77</i>	<i>66,167,457</i>	<i>93.20</i>	<i>2,978,108</i>	<i>4.50</i>
Other assets . . . . .	4,887,860	5.85	-	-	4,824,006	6.80	-	-
<b>Total assets (c)</b> . . . . .	<b>83,606,636</b>	<b>100.00</b>	<b>3,756,564</b>	<b>4.49</b>	<b>70,991,463</b>	<b>100.00</b>	<b>2,978,108</b>	<b>4.20</b>
Financial system . . . . .	11,441,814	13.69	306,721	2.68	11,146,146	15.70	230,218	2.07
Customer funds (d) . . . . .	34,214,938	40.92	523,739	1.53	32,763,819	46.15	423,863	1.29
Demand accounts . . . . .	12,813,846	15.33	86,125	0.67	11,557,174	16.28	56,941	0.49
Savings and time deposits . . . . .	21,401,092	25.59	437,614	2.04	21,206,645	29.87	366,922	1.73
Marketable debt securities & other . . . . .	28,600,949	34.21	851,405	2.98	18,814,374	26.50	427,298	2.27
Other interest-bearing liabilities . . . . .	355,590	0.43	7,169	2.02	386,035	0.54	8,302	2.15
<i>Total interest-bearing liabilities (e)</i> . . . . .	<i>74,613,291</i>	<i>89.25</i>	<i>1,689,034</i>	<i>2.26</i>	<i>63,110,374</i>	<i>88.89</i>	<i>1,089,681</i>	<i>1.73</i>
Other non-interest-bearing liabilities . . . . .	4,232,054	5.06	-	-	3,588,154	5.06	-	-
Equity . . . . .	4,761,291	5.69	-	-	4,292,935	6.05	-	-
<b>Total liabilities and capital (f)</b> . . . . .	<b>83,606,636</b>	<b>100.00</b>	<b>1,689,034</b>	<b>2.02</b>	<b>70,991,463</b>	<b>100.00</b>	<b>1,089,681</b>	<b>1.54</b>
<i>Customer spread (a-d)</i> . . . . .				3.43				3.45
<i>Spread (b-e)</i> . . . . .				2.51				2.77
<i>Net interest margin (c-f)</i> . . . . .				2.47				2.66

## Quarterly Yields and Costs

(Data in % and rates annualized)

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

	1st		2nd		3rd		4th	
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate
Financial system . . . . .	8.72	1.94	7.45	2.20	7.60	2.25	8.84	2.46
Loans and discounts (a) . . . . .	83.02	4.74	84.28	4.78	83.99	4.74	82.92	4.71
Securities portfolio . . . . .	1.21	3.99	0.98	5.26	1.04	4.66	0.88	2.36
Other earning assets . . . . .	2.91	1.02	0.48	4.00	0.49	1.99	0.47	2.17
<i>Total earning assets(b)</i> . . . . .	95.86	4.45	93.19	4.58	93.12	4.52	93.11	4.46
Other assets . . . . .	4.14	-	6.81	-	6.88	-	6.89	-
<b>Total assets (c) . . . . .</b>	<b>100.00</b>	<b>4.16</b>	<b>100.00</b>	<b>4.26</b>	<b>100.00</b>	<b>4.22</b>	<b>100.00</b>	<b>4.15</b>
Financial system . . . . .	16.23	2.00	16.13	2.03	15.71	2.03	14.84	2.20
Customer funds (d) . . . . .	47.68	1.22	47.07	1.38	45.76	1.30	44.35	1.27
Demand accounts . . . . .	16.79	0.42	16.22	0.45	16.07	0.51	16.09	0.58
Savings and time deposits . . . . .	30.89	1.66	30.85	1.87	29.69	1.73	28.26	1.67
Marketable debt securities & other	24.34	2.26	24.94	2.13	26.86	2.30	29.47	2.36
Other interest-bearing liabilities . . . . .	0.58	0.51	0.57	3.65	0.54	2.26	0.50	2.15
<i>Total interest-bearing liabilities (e)</i> . . . . .	88.83	1.64	88.71	1.73	88.87	1.74	89.16	1.79
Other non-interest-bearing liabilities	4.95	-	4.96	-	5.13	-	5.15	-
Equity . . . . .	6.22	-	6.33	-	6.00	-	5.69	-
<b>Total liabilities and capital (f) . . . . .</b>	<b>100.00</b>	<b>1.46</b>	<b>100.00</b>	<b>1.53</b>	<b>100.00</b>	<b>1.55</b>	<b>100.00</b>	<b>1.60</b>
<i>Customer spread (a-d)</i> . . . . .		3.52		3.40		3.44		3.44
<i>Spread (b-e)</i> . . . . .		2.81		2.85		2.78		2.67
<i>Net interest margin (c-f)</i> . . . . .		2.70		2.73		2.67		2.55

## Net Fee Revenues

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
Asset transaction service fees:	99,750	107,831	(7.5)
Bill discounting .....	46,109	51,652	(10.7)
Other .....	53,641	56,179	(4.5)
Provision of guarantees and other sureties .....	132,281	100,224	32.0
Operating services:	648,548	581,938	11.4
Collection and payment handling .....	239,636	217,634	10.1
Securities and foreign currency purchase and sale transactions	21,599	17,369	24.4
Customer financial asset management:	240,774	210,128	14.6
Securities portfolio .....	30,020	27,820	7.9
Mutual funds .....	160,856	138,008	16.6
Pension plans .....	49,898	44,300	12.6
Administration of demand deposits and other .....	146,539	136,807	7.1
<b>Total .....</b>	<b>880,579</b>	<b>789,993</b>	<b>11.5</b>

<b>2006</b>	1st	2nd	3rd	4th
Asset transaction service fees:	24,181	24,597	24,437	26,535
Bill discounting .....	11,103	11,276	11,630	12,100
Other .....	13,078	13,321	12,807	14,435
Provision of guarantees and other sureties .....	26,600	29,060	31,862	44,759
Operating services:	157,144	156,917	167,691	166,796
Collection and payment handling .....	59,911	58,777	62,637	58,311
Securities and foreign currency purchase and sale transactions	5,870	4,627	4,415	6,687
Customer financial asset management:	56,238	57,830	59,751	66,955
Securities portfolio .....	6,434	7,948	7,662	7,976
Mutual funds .....	37,662	37,793	39,527	45,874
Pension plans .....	12,142	12,089	12,562	13,105
Administration of demand deposits and other .....	35,125	35,683	40,888	34,843
<b>Total .....</b>	<b>207,925</b>	<b>210,574</b>	<b>223,990</b>	<b>238,090</b>

## Personnel and general expenses

(Amounts in € thousand )

	12.31.06	12.31.05	% variation
<b>Personnel expenses:</b>	<b>705,971</b>	<b>664,521</b>	<b>6.2</b>
Wages and salaries	536,791	496,262	8.2
Social security charges	128,891	122,479	5.2
Other personnel expenses	17,229	17,323	(0.5)
Pensions	23,060	28,457	(19.0)
<b>General expenses:</b>	<b>327,453</b>	<b>316,482</b>	<b>3.5</b>
Rents and common services	51,937	48,989	6.0
Communications	28,270	30,149	(6.2)
Maintenance of premises and equipment	23,787	23,593	0.8
IT and other technical expenses	67,330	50,219	34.1
Stationery and office supplies	7,746	7,587	2.1
Technical reports and legal expenses	11,640	12,429	(6.3)
Advertising	37,772	51,701	(26.9)
Insurance	4,570	3,670	24.5
Security and fund transport services	19,033	18,115	5.1
Travel	11,765	11,612	1.3
Property taxes, VAT and other	44,543	41,864	6.4
Other general expenses	19,060	16,554	15.1
<b>Total</b>	<b>1,033,424</b>	<b>981,003</b>	<b>5.3</b>

	2006			
	1st	2nd	3rd	4th
<b>Personnel expenses:</b>	<b>171,103</b>	<b>171,365</b>	<b>180,883</b>	<b>182,620</b>
Wages and salaries	127,787	130,633	136,773	141,598
Social security charges	31,735	32,139	32,314	32,703
Other personnel expenses	4,750	3,751	4,700	4,028
Pensions	6,831	4,842	7,096	4,291
<b>General expenses:</b>	<b>81,725</b>	<b>84,128</b>	<b>79,967</b>	<b>81,633</b>
Rents and common services	12,720	12,739	13,370	13,108
Communications	7,993	7,986	7,204	5,087
Maintenance of premises and equipment	5,985	5,867	5,172	6,763
IT and other technical expenses	15,801	17,502	16,017	18,010
Stationery and office supplies	1,768	1,693	1,605	2,680
Technical reports and legal expenses	2,797	2,385	2,872	3,586
Advertising	10,686	11,695	8,998	6,393
Insurance	1,086	1,525	986	973
Security and fund transport services	4,723	4,639	5,468	4,203
Travel	2,937	3,136	2,327	3,365
Property taxes, VAT and other	11,076	10,424	11,408	11,635
Other general expenses	4,153	4,537	4,540	5,830
<b>Total</b>	<b>252,828</b>	<b>255,493</b>	<b>260,850</b>	<b>264,253</b>

## Information by segment

As indicated in the 2005 consolidated financial statements, the Banco Popular Group is managed and directed at entity level. As stated in the Annual Report, for segment information purposes, the geographical distribution is considered to be the principal segment and the distribution by activity to be the secondary segment. The balance sheet total in each geographical segment reflects the amount relating to Spain and Portugal, respectively, disregarding intra-segment eliminations and adjustments. However, for each of the secondary segments, their contribution to total assets in the consolidated balance sheet is presented.

The information for the geographical segment is as follows:

	12.31.06		12.31.05		% variation	
	Spain	Portugal	Spain	Portugal	Spain	Portugal
Net interest revenue . . . . .	1,909,414	158,116	1,746,740	141,687	9.3	11.6
Ordinary revenue . . . . .	2,898,903	208,580	2,581,680	182,766	12.3	14.1
Operating income . . . . .	1,900,647	115,799	1,633,002	92,787	16.4	24.8
Income before taxes . . . . .	1,648,773	74,684	1,364,560	49,923	20.8	49.6
Consolidated income for the period	1,036,850	54,365	898,258	39,347	15.4	38.2
Income attributed to the Group . . .	972,666	53,365	839,446	38,303	15.9	39.3
<b>Total assets . . . . .</b>	<b>85,367,702</b>	<b>7,420,836</b>	<b>72,245,832</b>	<b>6,321,900</b>	<b>18.2</b>	<b>17.4</b>
<b>Total liabilities and net worth. . . . .</b>	<b>88,304,307</b>	<b>4,484,231</b>	<b>74,697,577</b>	<b>3,870,155</b>	<b>18.2</b>	<b>15.9</b>
Intragroup financing . . . . .	2,936,605	(2,936,605)	2,451,745	(2,451,745)	19.8	19.8
Number of employees . . . . .	12,773	1,283	12,508	1,296	2.1	(1.0)
Number of branches . . . . .	2,243	200	2,216	169	1.2	18.3

The split by area of activity is as follows:

	12.31.06		12.31.05		% variation	
	Areas		Areas		Areas	
	Commercial Banking	Institutional & Market	Commercial Banking	Institutional & Market	Commercial Banking	Institutional & Market
Consolidated income for the period	1,006,163	85,052	865,403	72,202	16.3	17.8
Total assets . . . . .	77,483,031	14,167,403	66,453,292	11,244,456	16.6	26.0

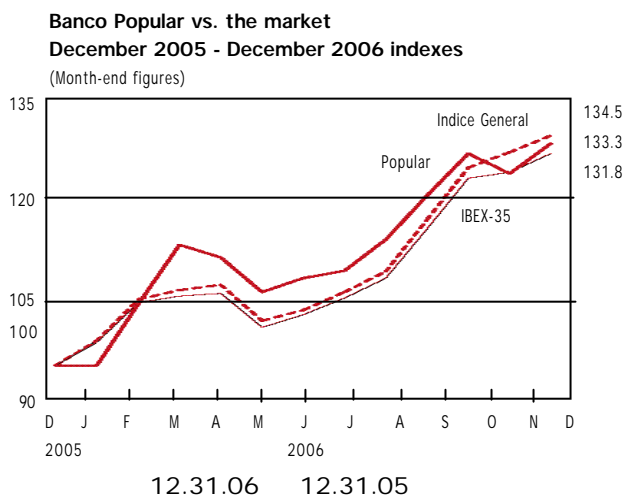
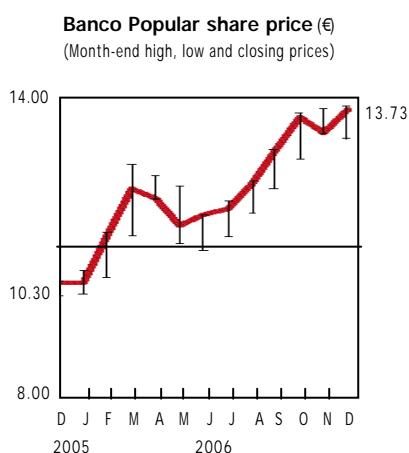
## Market Performance of the Bank's Shares

### Market information\*

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return**
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2005 1st	1,150,888	637,506	55.39	10.75	9.40	9.98	0.0870	3.8
2nd	1,215,433	552,205	45.43	10.32	9.61	9.99	0.0890	1.0
3rd	1,215,433	406,433	33.44	10.25	9.76	10.14	0.0900	2.4
4th	1,215,433	505,034	41.55	10.55	9.91	10.30	0.0902	2.5
<b>Year total</b>	<b>1,199,517</b>	<b>2,101,178</b>	<b>172.87</b>	<b>10.75</b>	<b>9.40</b>	<b>10.30</b>	<b>0.3562</b>	<b>9.9</b>
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
<b>Year total</b>	<b>1,215,433</b>	<b>1,921,418</b>	<b>158.09</b>	<b>13.83</b>	<b>9.99</b>	<b>13.73</b>	<b>0.3758</b>	<b>36.9</b>

\* Figures adjusted for the 5x1 split in June 21, 2005

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



### Market ratios

	12.31.06	12.31.05
Price / Book value	3.02	2.51
Price / Earnings (PE ratio)	16.3	14.1
Dividend return*	2.99	3.50

\* Calculated with the dividend paid in the fourth 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)
<b>2005</b>								
First quarter	140	474	-	-	1,150,888	637,506	0.01	0.02
Second quarter	434	509	-	509	1,215,433	552,205	0.04	0.08
Third quarter	432	509	-	507	1,215,433	406,433	0.04	0.11
Fourth quarter	357	507	-	-	1,215,433	505,034	0.03	0.07
<b>2006</b>								
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

\* Figures adjusted for the 5x1 split in June 21, 2005

\*\* Calculated on average treasury stock held in the quarter

## Earnings and profitability disregarding the effect of the reduction of the corporate income tax rate

At the end of 2006, Law 35/2006 on Personal Income Tax and partial amendment of the Laws on Corporate Income Tax, Income of Non-Residents and Wealth Tax and Navarre Law 18/2006 amending certain taxes and other taxation measures applicable to entities subject to central government and Navarre regulations, respectively, and the Local Finance Law in Portugal gave approval to a reduction of the corporate income tax rate in the aforementioned territories from 35% in 2006 to 32.5% in 2007 and 30% starting in 2008, in the case of Spain, and from 27.5% to 26.5% in the case of Portugal. As a result of this change, there were reductions in deferred tax assets and liabilities amounting to €66,714 thousand and €5,631 thousand, respectively, signifying a greater net income tax expense of €62,326 thousand in 2006, with an impact of €59,176 thousand on the income attributed to the Group.

In order to permit quantification of the impact in terms of variation rates and profitability rates, presented below are the data at December 31, 2006, and for the fourth quarter of 2006, adjusted disregarding the effect of the reduction of the income tax rate, as described above.

### Annual Earnings

	(Amounts in € thousand)			(Annualized % of ATA)		
	12.31.06	12.31.05	% Variation	12.31.06	12.31.05	Variation
Net interest revenue . . . . .	2,067,530	1,888,427	9.5	2.47	2.66	(0.19)
Ordinary revenue . . . . .	3,107,483	2,764,446	12.4	3.72	3.89	(0.17)
Operating income . . . . .	2,016,446	1,725,789	16.8	2.41	2.43	(0.02)
Income before taxes . . . . .	1,723,457	1,414,483	21.8	2.06	1.99	0.07
Corporate income tax provision . . . .	569,916	476,878	19.5	0.68	0.67	0.01
Consolidated income for the period . .	1,153,541	937,605	23.0	1.38	1.32	0.06
Income attributed to the Group . . . .	1,085,207	877,749	23.6	1.30	1.24	0.06
ROE (%) . . . . .				22.79	20.45	2.34

### Fourth Quarter Earnings

	(Amounts in € thousand)			(Annualized % of ATA)		
	2006 4th	2005 4th	% Variation	2006 4th	2005 4th	Variation
Net interest revenue . . . . .	525,309	486,129	8.1	2.38	2.55	(0.17)
Ordinary revenue . . . . .	810,343	718,445	12.8	3.68	3.77	(0.09)
Operating income . . . . .	531,558	436,618	21.7	2.41	2.29	0.12
Income before taxes . . . . .	436,499	358,115	21.9	1.98	1.88	0.10
Corporate income tax provision . . . .	142,121	117,313	21.1	0.64	0.61	0.03
Consolidated income for the period . .	294,378	240,802	22.2	1.34	1.27	0.07
Income attributed to the Group . . . .	277,508	224,484	23.6	1.26	1.18	0.08
ROE (%) . . . . .				23.32	20.73	2.59

## 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 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.

In 2006 the preferred equity interests ("participaciones") issued in Spain were reclassified in the balance sheet from financial liabilities classified as capital to subordinated liabilities, presenting the 2005 data on a consistent basis.

### Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 17 to the 2005 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 outside Spain 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.

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