QUARTERLY REPORT 2011

January · February · March

BANCO POPULAR

Highlights

(Amounts in € thousand)	31.03.11	31.03.10	Var. %
Business volume			
Total assets managed	140,076,182	140,403,867	(0.2)
On-balance sheet total assets	128,741,126	127,484,066	1.0
Own funds	9,048,344	8,519,431	6.2
Adjusted customer deposits	80,825,397	62,670,041	29.0
Lending to customers (gross)	98,364,389	97,657,827	0.7
Solvency			
Core capital(%)	9.93	8.74	
Tier 1 (%)	9.93	9.25	
BIS ratio	9.93	9.61	
Leverage	14.22	14.36	
Risk management			
Total risks	115,790,166	114,919,788	0.8
Non-performing loans	6,302,554	5,648,183	11.6
Allowances for credit losses	2,626,052	2,823,811	(7.0)
% nonperforming ratio	5.44	4.91	
% coverage of non-performing and write-off loans	60.39	61.13	
% coverage of non-performing and not write-off loans	41.67	50.00	
% coverage with guarantees	98.73 (1)		
Earnings			
Net interest income	515,452	663,364	(22.3)
Gross operating income	775,807	900,679	(13.9)
Profit before provisions	450,053	591,434	(23.9)
Profit before tax	112,197	276,664	(59.4)
Consolidated profit for the year	189,055	203,979	(8.6)
Net profit attributed to the Group	185,703	204,016	(9.0)
Net return and efficiency			
Average total assets	127,241,442	121,572,917	4.7
Average total equity	8,792,668	8,343,633	5.4
ROA (%)	0.59	0.68	
ROE (%)	8.45	9.78	
Operating efficiency (%)	38.37	31.47	
Per share data			
Final number of shares (thousands)	1,472,481 (2)	1,431,222	2.9
Average number of shares (thousands)	1,586,598	1,407,173	12.8
Share closing market price (€)	4.19	5.45	(23.1)
Market capitalization	6,169,695 (3)	7,265,673	(15.1)
Book value per share(€)	6.21	6.39	(2.8)
Net earnings per share (€)	0.117	0.145	(19.3)
Dividend per share paid in the period (€)	0.050	0.075	(33.3)
Price/Book value	0.67	0.85	
Price/Earnings (annualized)	8.95	9.40	
Other data			
Shareholders	145,617	138,146	5.4
Employees	14,062	14,386	(2.3)
Spain	12,232	12,639	(3.2)
Men	8,302	8,625	(3.7)
Women	3,930	4,014	(2.1)
Abroad	1,830	1,747	4.8
Men	1,127	1,119	0.7
Women	703	628	11.9
Branches	2,224	2,336	(4.8)
Spain	1,973	2,085	(5.4)
Abroad	251	251	-
Mundocredit branches	12	43	(72.1)
ATMs	2,855	3,028	(5.7)

(1)Risk coverage ratio including the value guarantees after aplication of the discounts defined in Appendix IX of Bank of Spain Circular 4/2004.
(2) Including €97,196 thousand of necessary convertible debentures on October 2013.
(3) Not including the necessarily convertible debentures.

The Group's consolidated financial statements at 31 March 2011 included herein have not been audited and were prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The regulatory changes introduced in 2010 did not affect the comparability of the financial information for preceding periods published in this Report.

Salient aspects

As in 2010, the first quarter of 2011 was characterised by the sovereign risk crisis. Whereas in 2010 Greece and Ireland were the countries bailed out, in the first quarter of 2011 it was Portugal which had to seek aid from the EU. Nevertheless, the initial fear of possible contagion to other peripheral countries like Spain did not materialise, and there was even a relaxation of the differentials of Spanish debt with respect to that of Germany.

This improvement in the marketplace enabled a limited group of financial entities, including Banco Popular, to launch issues of debt, although the spreads demanded from the Kingdom of Spain and therefore from Spanish issuers remained very high, with the consequent negative impact on the interest margin.

In this difficult context the Bank has maintained its **position of strength in profitability, solvency and liquidity**, and these fundamental aspects enable it to gain business share from quarter to quarter. Thus, the Bank's market share at 2010 year end was 5.24%, 14 basis points higher than in the preceding quarter and 71 basis points above that at the start of the crisis (4Q-2007).

This strategy of growth made it possible to significantly increase the customer base, and in the first quarter of the current year 49,000 new individual customers and 15,000 SMEs were added. Credit, in a situation of extreme weakness, grew by 0.7% year on year, with the Bank retaining its leadership among SMEs and in banking for private individuals which account respectively for 42% and 26% of the loan portfolio.

Moreover, Banco Popular attracted €4,105 million of customer deposits which made it possible to achieve year-on-year growth of 7%, to reduce the commercial gap by €3,200 million, and to raise the loan-to-deposit ratio by 9 percentage points to 150%.

Thanks to the strong growth in customer funds, the Bank significantly reduced its dependence on the wholesale markets, which stood at 28% on the balance sheet as a whole as compared with 33% a year earlier.

As regards the term of financing, the new issues and the reduction in the commercial gap mentioned earlier made it possible to reduce the weight of short-term (interbank and ECP) funding to 17% compared with 27% at 31 March 2010 and 21% at 2010 year end.

Also, the second liquidity line of over €11,500 million assures coverage of the maturities of medium and long-term funding sources beyond 2013. This aspect, together with the fact that short-term wholesale financing was halved with respect to the previous year, places the Bank in a situation of absolute tranquillity in the face of any scenario of market stress.

As regards solvency, core capital at quarter end stood at 9.93%, 50 basis points above that at the previous year end, and maintaining the Bank's position of strength with respect to Spanish and European financial institutions as a whole. The Tier 1 capital and BIS ratio likewise stood at 9.93%, 30 and 27 basis points, respectively, above the ratios at 2010 year end.

Turning now to earnings, Banco Popular's attributed profit amounted to €186 million, 9% lower than in the same period of 2010. Compared with the fourth quarter of 2010 the profit increased by €117 million.

As anticipated, the net interest income of €516 million was foreseeably its worst result, with a year-on-year fall of 22.3% and of 6.7% quarter to quarter, since, per the current estimates, the coming quarters are expected to record better earnings.

The differing speeds of repricing credit and funding, together with the higher spreads demanded by wholesale and retail liabilities, led to a substantial loss of year-on-year margin, which was less marked comparing quarter to quarter.

In this respect, the customer spread may be seen to have improved slightly compared with the previous quarter (2.25% versus 2.21%) thanks to the higher yield on credit due to acceleration of its repricing and better spreads in new loan arrangements and, additionally, because of the lower spreads paid on attraction/renewal of time deposits. However, this improvement did not offset the increase in wholesale costs of new long-term issues which, as noted earlier, involved an increase of costs, although they strengthen the Bank's liquidity position.

Considering that the volume of issues that will foreseeably be made through year end is low and the foreseeably lower spreads, it is estimated that the net interest income will improve in the coming quarters.

In any case, Banco Popular maintains its leadership position in profitability, since the net interest income accounts for 1.62% of total assets, higher than that of its peers, enabling it to strengthen the long-term funding which is a priority aspect for the Bank.

The total fees and commissions of €172 million were 5.4% higher year on year and 1.3% higher compared with the fourth quarter of 2010, thanks to the growth of banking service-related fees and commissions.

Gains on financial assets and liabilities so far this year have been in line with expectations due to the lower earnings from repurchases, and amounted to €24 million, 30.7% lower than in the same period of 2010 and 37.6% lower than in the preceding quarter.

Gross operating income totalled €776 million, 13.9% down year on year and 0.5% lower than in the preceding quarter. Noteworthy was the contribution of other operating income of €64 million, of which €33 million were gains in the agreement for the distribution of general insurance as the outcome of the sale of part of the fund and insurance management business to Allianz.

Costs were up by 5.3% year on year but 6.5% lower than in the fourth quarter of 2010. For 2011 as a whole no significant year-on-year variations are expected.

Net operating income (pre-provision profit) at March end amounted to €450 million, 23.9% lower than the previous year but 4.2% higher than in the fourth quarter of 2010.

As foreseen, the deterioration over time in net interest income is offset by lower provisioning requirements. However, following its policy of prudence, the Bank booked extraordinary provisions totalling €466 million, covered by extraordinary gains on the sale of part of the asset management and insurance business to Allianz and by the sale of properties giving rise to gains of €498 million.

Noteworthy also was the non-use of the general allowance in the quarter, compared with the use of €113 million in the first quarter of 2010 and €271 million in the fourth quarter, with a quarter-end balance of €327 million, which was similar to the balance at the end of 2010.

Total provisions booked by the Bank in the first quarter amounted to €836 million, of which €427 million were provisions for property (€325 million extraordinary) and €409 million to credit and other provisions (€141 million to substandard).

Disregarding the impact of the substandard provisions and of the release from the general allowance in 2010, it will be seen that the 'ordinary' risk premium at quarter end was 1.14%, compared with 1.55% at 31 December 2010 and 1.75% at 31 March 2010, reflecting the lower requirements for provisions. Recoveries of assets written off also increased and contributed €36 million in the quarter.

This substantial provisioning made it possible to raise the coverage ratios of delinquent and written-off assets, including guarantees and the applicable hair-cuts, to 98.73%, compared with 95.7% at 2010 year end. Excluding these guarantees the coverage was 60.39% compared with 59.14% at 2010 year end.

As a result of the foregoing matters, the coverage for property and capital instruments also improved significantly to 34% compared with 29% at 2010 year end.

The non-performing loans ratio of 5.44% was 17 basis points higher than in December 2010 but very much lower than the average figure for banks and savings banks of 6.21% (latest data in February 2011).

To summarise, Banco Popular obtained a profit of €186 million after provisioning €836 million and generating extraordinary earnings of €498 million; net additions to non-performing balances remain stable and the coverage ratios improved significantly.

The expectations for the rest of 2011 must be cautious, because a difficult year with changes in the financial sector in Spain is foreseen. However, our priorities are clear and well-known: our strength in profitability, solvency and liquidity will enable us to take every advantage of it.

Balance Sheet

(Amounts in € thousand)

	31.03.11	31.12.10	31.03.10	% variation 3 months	% variation 12 months
Assets					
Cash and balances with central banks	631,800	682,814	3,132,721	(7.5)	(79.8)
Financial assets held for trading	1,208,371	1,231,424	1,523,651	(1.9)	(20.7)
Other financial assets at fair value through profit or loss	450,022	464,775	470,041	(3.2)	(4.3)
Investment portfolio	17,702,666	16,570,211	14,660,691	6.8	20.7
Loans and receivables	100,142,162	102,087,079	99,484,907	(1.9)	0.7
Loans and advances to other debtors	96,027,774	96,032,311	95,169,113	-	0.9
Other loans and receivables	4,114,388	6,054,768	4,315,794	(32.0)	(4.7)
Of which interbank deposits	256,047	371,786	404,053	(31.1)	(36.6)
Hedging derivatives	701,854	1,038,301	1,194,156	(32.4)	(41.2)
Non-current assets held for sale	2,968,259	3,100,790	2,757,150	(4.3)	7.7
Investments	566,034	168,752	53,503	>	>
Insurance contracts linked to pensions	157,483	161,428	170,975	(2.4)	(7.9)
Reinsurance assets	3,252	3,530	3,339	(7.9)	(2.6)
Tangible assets	1,669,698	1,890,474	1,917,867	(11.7)	(12.9)
Intangible assets	640,229	657,079	494,333	(2.6)	29.5
Tax assets	955,180	1,025,485	845,722	(6.9)	12.9
Other assets	944,116	1,057,704	775,010	(10.7)	21.8
Total Assets	**128,741,126**	**130,139,846**	**127,484,066**	**(1.1)**	**1.0**
Liabilities					
Financial liabilities held for trading	950,310	1,160,739	1,415,420	(18.1)	(32.9)
Other financial liabilities at fair value through profit or loss	114,940	128,453	122,603	(10.5)	(6.3)
Financial liabilities at amortised cost:	116,867,244	117,435,427	114,302,677	(0.5)	2.2
Liabilities of credit institutions	11,433,490	12,649,746	18,424,220	(9.6)	(37.9)
Of which interbank deposits	3,525,506	4,726,417	3,893,413	(25.4)	(9.4)
Deposits from other creditors	80,825,397	79,383,524	62,670,041	1.8	29.0
Debt certificates including bonds	21,310,645	21,850,829	30,408,048	(2.5)	(29.9)
Subordinated liabilities	2,352,012	2,381,317	1,833,546	(1.2)	28.3
Other financial liabilities	945,700	1,170,011	966,822	(19.2)	(2.2)
Hedging derivatives	568,712	764,140	600,370	(25.6)	(5.3)
Insurance contract liabilities	605,405	1,090,567	1,085,290	(44.5)	(44.2)
Provisions for contingent exposures	340,907	342,074	455,553	(0.3)	(25.2)
Tax liabilities	328,003	475,829	561,551	(31.1)	(41.6)
Other liabilities	265,428	522,148	408,105	(49.2)	(35.0)
Total liabilities	**120,040,949**	**121,919,377**	**118,951,569**	**(1.5)**	**0.9**
Equity					
Own funds	9,048,344	8,775,632	8,519,431	3.1	6.2
Capital, reserves and retained earnings	8,862,641	8,352,744	8,315,415	6.1	6.6
Profit or loss for the period	185,703	590,163	204,016	(68.5)	(9.0)
Dividends paid and declared	-	(167,275)	-		
Valuation adjustments	(437,048)	(604,215)	(25,257)	(27.7)	>
Minority interests	88,881	49,052	38,323	81.2	>
Total equity	**8,700,177**	**8,220,469**	**8,532,497**	**5.8**	**2.0**
Total liabilities and equity	**128,741,126**	**130,139,846**	**127,484,066**	**(1.1)**	**1.0**

Funds Managed

(Amounts in € thousand)

	31.03.11	31.12.10	31.03.10	% variation 3 months	% variation 12 months
Customer deposits					
General government	5,736,066	9,284,684	5,191,929	(38.2)	10.5
Other private sectors	57,859,975	57,094,212	54,263,100	1.3	6.6
Residents	51,226,233	50,141,587	46,956,704	2.2	9.1
Nonresidents	6,633,742	6,952,625	7,306,396	(4.6)	(9.2)
Valuation adjustments (+/-)	324,226	328,698	360,061	(1.4)	(10.0)
Subtotal customer deposits	63,920,267	66,707,594	59,815,090	(4.2)	6.9
Deposits at central counterparty entities	16,905,130	12,675,930	2,854,951	33.4	>
Total customer deposits	80,825,397	79,383,524	62,670,041	1.8	29.0
Unadjusted debt certificates including bonds:	20,935,928	21,256,428	29,637,248	(1.5)	(29.4)
Bonds and other securities outstanding	18,952,634	19,254,910	20,791,413	(1.6)	(8.8)
Commercial paper	1,983,294	2,001,518	8,845,835	(0.9)	(77.6)
Valuation adjustments (+/-)	374,717	594,401	770,800	(37.0)	(51.4)
Total debt certificates including bonds	21,310,645	21,850,829	30,408,048	(2.5)	(29.9)
Subordinated liabilities	2,352,012	2,381,317	1,833,546	(1.2)	28.3
Total on-balance sheet funds (a)	**104,488,054**	**103,615,670**	**94,911,635**	**0.8**	**10.1**
Mutual funds	6,392,658	6,643,054	7,900,312	(3.8)	(19.1)
Asset portfolio management	870,467	936,562	843,818	(7.1)	3.2
Pension funds	4,071,931	4,128,743	4,175,671	(1.4)	(2.5)
Total other intermediated funds (b)	**11,335,056**	**11,708,359**	**12,919,801**	**(3.2)**	**(12.3)**
Total funds managed (a+b)	**115,823,110**	**115,324,029**	**107,831,436**	**0.4**	**7.4**

Customer deposits

(Amounts in € thousand)

	31.03.11	31.12.10	31.03.10	% variation 3 months	% variation 12 months
Demand deposits	20,359,260	20,143,915	20,616,062	1.1	(1.2)
Time deposits	37,832,611	38,452,147	34,652,572	(1.6)	9.2
Asset repos	4,908,877	7,396,910	3,959,055	(33.6)	24.0
Other accounts and valuation adjustments	819,519	714,622	587,401	14.7	39.5
Subtotal customer deposits	**63,920,267**	**66,707,594**	**59,815,090**	**(4.2)**	**6.9**
Marketable securities distributed through the branch network (*)	2,854,328	3,048,074	5,022,184	(6.4)	(43.2)
Total	**66,774,595**	**69,755,668**	**64,837,274**	**(4.3)**	**3.0**

(*) Including convertible debentures, preferred shares and commercial paper distributed through the branch network.

Lending to customers

(Amounts in € thousand)

	31.03.11	31.12.10	31.03.10	% variation 3 months	% variation 12 months
Lending to general government	1,133,141	568,856	466,961	99.2	>
Lending to other private sectors	96,805,101	97,469,595	96,967,833	(0.7)	(0.2)
Residents	87,331,776	87,902,605	87,678,913	(0.6)	(0.4)
Nonresidents......................	9,473,325	9,566,990	9,288,920	(1.0)	2.0
Total lending to customers	**97,938,242**	**98,038,451**	**97,434,794**	**(0.1)**	**0.5**
Other loans.........................	426,147	174,151	223,033	>	91.1
Total credit to customers and others ...	**98,364,389**	**98,212,602**	**97,657,827**	0.2	0.7
Valuation adjustments (+/-)...........	(2,336,615)	(2,180,291)	(2,488,714)	7.2	(6.1)
Total	**96,027,774**	**96,032,311**	**95,169,113**	**-**	**0.9**

Lending to customers by type

(Amounts in € thousand)

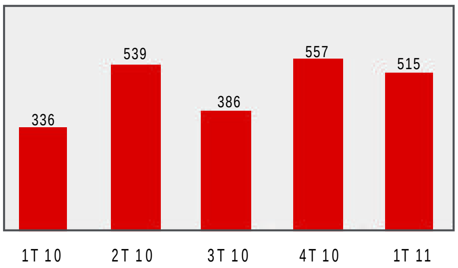
	31.03.11	31.12.10	31.03.10	% variation 3 months	% variation 12 months
Trade loans and discounts.............	4,207,873	4,439,317	4,786,294	(5.2)	(12.1)
Secured loans	48,842,402	48,895,689	47,850,414	(0.1)	2.1
Mortgage	47,050,833	47,744,092	47,740,661	(1.5)	(1.4)
Other.............................	1,791,569	1,151,597	109,753	55.6	>
Repos	6,757,816	6,987,608	6,045,050	(3.3)	11.8
Term loans and other lending	29,651,609	29,100,473	30,321,733	1.9	(2.2)
Leasing	2,864,121	2,963,106	3,181,738	(3.3)	(10.0)
Doubtful assets	6,040,568	5,826,409	5,472,598	3.7	10.4
Total lending to customers	**98,364,389**	**98,212,602**	**97,657,827**	**0.2**	**0.7**

Risk Management Performance*

(Amounts in € thousand)

	31.03.11	31.03.10	variation Amount	variation %
Nonperforming loans:				
Balance at 1 January	6,055,019	5,511,516	543,503	9.9
Additions	1,030,142	965,368	64,774	6.7
Recoveries	515,501	628,628	(113,127)	(18.0)
Other changes	-	-	-	
Net variation	514,641	336,740	177,901	52.8
% increase	8.5	6.1		
Writeoffs	(267,106)	(200,073)	(67,033)	33.5
Balance at 31 March	6,302,554	5,648,183	654,371	11.6

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



	31.03.11	31.03.10	variation Amount	variation %
Credit loss allowances:				
Balance at 1 January	2,448,164	2,770,486	(322,322)	(11.6)
Annual provision:				
Gross	898,771	654,764	244,007	37.3
Recoveries	(454,442)	(391,874)	(62,568)	16.0
Net	444,329	262,890	181,439	69.0
Other variations	(3,172)	(33,868)	30,696	(90.6)
Writeoffs	(263,269)	(175,697)	(87,572)	49.8
Balance at 31 March	2,626,052	2,823,811	(197,759)	(7.0)
Of which sub-standard risk provisions	876,634	592,181	284,453	48.0

	Specific	General	Country risk	Total
Balance at 1 January	*2,117,794*	*328,974*	*1,396*	*2,448,164*
Net provisions	445,527	(1,708)	510	444,329
Amount used	(263,269)	-	-	(263,269)
Other variations and transfers	(3,172)	-	-	(3,172)
Balance at 31 March	*2,296,880*	*327,266*	*1,906*	*2,626,052*

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

Risk Management Performance

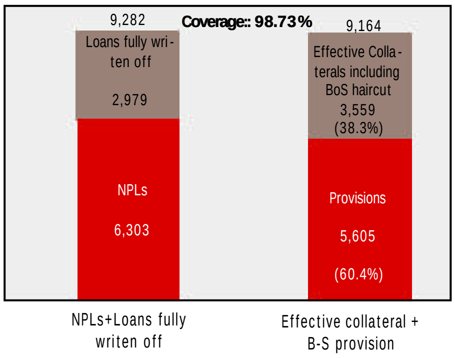
(Amounts in € thousand)

	31.03.11	31.03.10	variation Amount	variation %
Risk quality measures (%):				
Total Risks	115,790,166	114,919,788	870,378	0.8
Nonperformance (Nonperforming loans/Total risks)	5.44	4.91	0.53	
Credit risk premium	1.74	1.17	0.57	
Typical spread on lending to customers	1.92	2.69	(0.77)	

Coverage by type of non-performing balance:

Non-performing balances without mortgage guarantee or pledge guarantee	1,947,767
Non-performing balances with mortgage guarantee or pledged guarantee	4,354,787
Value of guarantees (incuding haircuts)	3,558,901
Total non-performing balances	6,302,554
Loans fully writen off	2,979,186
Non-performing balances+Loans fully writen off	9,281,740
Total value of guarantees (*)	3,558,901
Provisions for insolvency	2,626,052
Provisions for insolvency with writen-offs balances	5,605,238
% Coverage for non-performing and writen-offs balances	60.39
% Coverage for non-performing balances excl. writen-offs balances	41.67
% Coverage with guarantees	98.73

Coverage analysis
(€, million))



(*) Does not include writen off loans' garantees.

Asset impairment:

	31.03.11	31.03.10	variation Amount	variation %
Financial assets	**408,560**	**275,941**	**132,619**	**48.1**
Credit risk and provisioning	414,722	244,694	170,028	69.5
Of which: bad debts recoverd	36,002	11,546	24,456	>
Investments	(6,162)	31,247	(37,409)	
Non-financial assets and property	**426,994**	**119,948**	**307,046**	**>**
Total	**835,554**	**395,889**	**439,665**	**>**

Solvency

(Amounts in € thousand)

Basilea II	31.03.11	31.03.10
Total core capital	**8,994,347**	**8,047,223**
Core capital (%)	*9.93*	*8.74*
Total Tier 1 Capital	**8,994,347**	**8,511,458**
Tier 1 ratio (%)	*9.93*	*9.25*
BIS computable capital	**8,994,347**	**8,850,635**
Capital cushion	1,747,135	1,485,845
BIS ratio (%)	*9.93*	*9.61*
Leverage [1]	14.22	14.36
Memorandum item:		
Total BIS risk-weighted assets [2]	90,590,145	92,059,875

[1] Calculated with data from the end of each period.
[2] Including credit, exchange, market and operational risk.

Equity

(Amounts in € thousand)

	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Balance at 31/12/2010	**8,775,632**	**(572,365)**	**49,052**	**8,252,319**
Capital raise	-	-	-	-
Variation in treasury stock	101,319	-	-	101,319
Gain on treasury stock transactions	4,467	-	-	4,467
Actuarial differences	2,278	-	-	2,278
Remuneration of mandatory convertible debentures	(24,323)	-	-	(24,323)
Consolidation operations and other (net)	1,160	-	(335)	825
Corporate operations	2,108	-	52,005	54,113
Value adjustments	-	135,317	(3,432)	131,885
Net profit at 31 March 2011	185,703	-	3,352	189,055
Dividends paid in 2011	-	-	(11,761)	(11,761)
Balance at 31/03/2011	**9,048,344**	**(437,048)**	**88,881**	**8,700,177**

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	31.03.11	31.03.10 Pro forma	% variation Pro forma	31.03.11	31.03.10	variation
Interest and similar income	1,073,594	1,038,542	3.4	3.38	3.42	(0.04)
- Interest expense and similar charges	558,142	375,178	48.8	1.76	1.23	0.53
= Net interest income	**515,452**	**663,364**	**(22.3)**	**1.62**	**2.19**	**(0.57)**
+Return on equity instruments	1,905	2,384	(20.1)	0.01	0.01	-
+Share of results of entities accounted for using the equity method	11,649	11,728	(0.7)	0.04	0.04	-
+Fees and commissions, net	171,619	162,899	5.4	0.54	0.53	0.01
±Gains or losses on financial assets and liabilities (net)	23,589	34,062	(30.7)	0.08	0.11	(0.03)
+Exchange differences (net)	10,958	12,874	(14.9)	0.03	0.04	(0.01)
±Other operating results (net)	40,635	13,368	>	0.12	0.04	0.08
=Gross operating income	**775,807**	**900,679**	**(13.9)**	**2.44**	**2.96**	**(0.52)**
- Administrative expenses:	297,686	283,482	5.0	0.94	0.93	0.01
Personnel expenses	189,852	187,468	1.3	0.60	0.62	(0.02)
Other general administrative expenses	107,834	96,014	12.3	0.34	0.31	0.03
- Depreciation & amortisation	28,068	25,763	8.9	0.09	0.08	0.01
=Net operating income (Pre-provision profit)	**450,053**	**591,434**	**(23.9)**	**1.41**	**1.95**	**(0.54)**
- Financial asset impairment and provisioning	408,560	275,941	48.1	1.28	0.91	0.37
- Impairment of other assets	426,994	119,948	>	1.34	0.40	0.94
±Gains/(Losses) on assets sales (net)	497,698	81,119	>	1.56	0.27	1.29
=Profit before tax	**112,197**	**276,664**	**(59.4)**	**0.35**	**0.91**	**(0.56)**
- Income tax	(76,858)	78,413	>	(0.24)	0.26	(0.50)
+Gains/losses on discontinued operations (net)	-	5,728	(100.0)	-	0.02	(0.02)
=Consolidated profit for the year	**189,055**	**203,979**	**(7.3)**	**0.59**	**0.67**	**(0.08)**
- Profit attributed to minority interests	3,352	(37)		0.01	-	0.01
=Profit attributed to the controlling company	**185,703**	**204,016**	**(9.0)**	**0.58**	**0.67**	**(0.09)**

Net return on risk-weighted assets (RORWA) (%)	0.82	0.90	(0.08)
Net return on equity (ROE) (%)	8.45	9.78	(1.33)
Operating efficiency ratio (%)	38.37	31.47	6.90
In € million			
Average total assets	127,241	121,573	5,669
Risk-weighted average total assets (RWA)	92,223	92,317	(94)
Average equity	8,793	8,344	449

Restated 2010 following Allianz-Popular Holding

Quarterly Consolidated Income

(Amounts in € thousand)

	2010				2011
	1st	2nd	3rd	4th	1st
Interest and similar income	1,038,542	1,015,972	1,028,340	1,062,917	1,073,594
- Interest expense and similar charges	375,178	403,114	424,659	510,924	558,142
= Net interest income	**663,364**	**612,858**	**603,681**	**551,993**	**515,452**
+Return on equity instruments	2,384	5,508	402	1,339	1,905
+Share of results of entities accounted for using the equity method	11,728	11,772	11,996	11,260	11,649
+Fees and commissions, net	162,899	177,063	165,513	169,369	171,619
±Gains or losses on financial assets and liabilities (net)	34,062	27,437	45,797	37,933	23,589
+Exchange differences (net)	12,874	14,290	12,450	14,085	10,958
±Other operating results (net)	13,368	23,250	5,316	(6,369)	40,635
=Gross operating income	**900,679**	**872,178**	**845,155**	**779,610**	**775,807**
- Administrative expenses:	283,482	299,215	302,102	321,874	297,686
Personnel expenses	187,468	194,449	198,172	198,177	189,852
Other general administrative expenses ..	96,014	104,762	103,930	123,697	107,834
- Depreciation & amortisation	25,763	21,856	21,996	26,584	28,068
=Net operating income (Pre-provision profit)	**591,434**	**551,111**	**521,057**	**431,152**	**450,053**
- Financial asset impairment and provisioning	275,941	343,369	421,422	191,401	408,560
- Impairment of other assets	119,948	68,118	271,278	142,407	426,994
±Gains/(Losses) on assets sales (net)	81,119	58,449	379,881	(1,560)	497,698
=Profit before tax	**276,664**	**198,073**	**208,238**	**95,784**	**112,197**
- Income tax	78,413	52,190	44,524	31,245	(76,858)
+Gains/losses on discontinued operations (net)	5,728	4,513	4,572	5,478	-
=Consolidated profit for the year	**203,979**	**150,396**	**168,286**	**70,017**	**189,055**
- Profit attributed to minority interests	(37)	(144)	1,432	1,264	3,352
=Profit attributed to the controlling company	**204,016**	**150,540**	**166,854**	**68,753**	**185,703**

Restated 2010 following Allianz-Popular Holding

Quarterly Profitability

(Annualized % of ATA)

	2010				2011
	1st	2nd	3rd	4th	1st
Interest and similar income	3.42	3.31	3.35	3.37	3.38
- Interest expense and similar charges	1.23	1.31	1.38	1.62	1.76
= Net interest income	**2.19**	**2.00**	**1.97**	**1.75**	**1.62**
+Return on equity instruments	0.01	0.02	-	-	0.01
+Share of results of entities accounted for using the equity method	0.04	0.04	0.04	0.04	0.04
+Fees and commissions, net	0.53	0.58	0.54	0.54	0.54
±Gains/losses on financial assets and liabilities (net).....................................	0.11	0.09	0.15	0.12	0.08
+Exchange differences (net)	0.04	0.04	0.04	0.04	0.03
±Other operating results (net)	0.04	0.07	0.01	(0.02)	0.12
=Gross operating income	**2.96**	**2.84**	**2.75**	**2.47**	**2.44**
- Administrative expenses:	0.93	0.97	0.98	1.02	0.94
Personnel expenses	0.62	0.63	0.64	0.63	0.60
Other general administrative expenses	0.31	0.34	0.34	0.39	0.34
- Depreciation & amortisation	0.08	0.07	0.07	0.08	0.09
=Net operating income (Pre-provision profit) ...	**1.95**	**1.80**	**1.70**	**1.37**	**1.41**
- Financial asset impairment and provisioning .	0.91	1.12	1.37	0.61	1.28
- Impairment of other assets	0.40	0.22	0.88	0.46	1.34
±Gains/(Losses) on assets sales (net)	0.27	0.19	1.23	-	1.56
=Profit before tax	**0.91**	**0.65**	**0.68**	**0.30**	**0.35**
- Income tax	0.26	0.17	0.14	0.10	(0.24)
+Gains/losses on discontinued operations (net)	0.02	0.01	0.01	0.02	-
=Consolidated profit for the year	**0.67**	**0.49**	**0.55**	**0.22**	**0.59**
- Profit attributed to minority interests........	-	-	-	-	0.01
=Profit attributed to the controlling company ..	**0.67**	**0.49**	**0.55**	**0.22**	**0.58**

Net return on risk-weighted assets (RORWA) (%)	0.90	0.65	0,73	0.31	0.82
Net return on equity (ROE) (%)	9.78	7.30	8,11	3.31	8.45
Operating efficiency ratio (%)	31.47	32.87	33,80	35.52	38.37
In € million					
Average total assets	121,573	122,697	122,968	126,040	127,241
Risk-weighted average total assets (RWA) .	92,317	93,610	94,028	93,322	92,223
Average equity	8,334	8,246	8,235	8,298	8,793

Restated 2010 following Allianz-Popular Holding

Yields and Costs

(Amounts in € thousand and rates annualized)

	31.03.11				31.03.10			
	Average balance	Distri-bution (%)	Income or expense	Average rate (%)	Average balance	Distri-bution (%)	Income or expense	Average rate (%)
Financial system	5,215,188	4.10	11,095	0.85	6,672,237	5.49	8,775	0.53
Loans and discounts (a)	93,144,728	73.20	945,293	4.06	90,098,238	74.11	946,349	4.20
Securities portfolio	17,248,939	13.56	114,900	2.66	13,497,619	11.10	80,782	2.39
Other assets	11,632,587	9.14	2,306	0.08	11,304,823	9.30	2,636	0.09
Total earning assets (b)	**127,241,442**	**100.00**	**1,073,594**	**3.38**	**121,572,917**	**100.00**	**1,038,542**	**3.42**
Financial system	11,081,546	8.71	45,645	1.65	19,874,035	16.35	43,595	0.88
Customer funds (c)	78,657,243	61.82	356,687	1.81	56,282,122	46.30	201,197	1.43
Demand accounts.	14,601,596	11.48	24,105	0.66	14,571,542	11.99	12,859	0.35
Savings and time deposits . . .	48,277,926	37.94	294,226	2.44	41,213,075	33.90	187,947	1.82
Deposits at central counter-party entities	15,777,721	12.40	38,356	0.97	497,505	0.41	391	0.31
Marketable debt securities & other	23,240,027	18.26	151,126	2.60	32,513,586	26.74	123,922	1.52
Other interest-bearing liabilities .	252,534	0.20	4,684	7.42	293,610	0.24	6,464	8.81
Other funds	5,217,424	4.10	-	-	4,265,931	3.51	-	-
Equity	8,792,668	6.91	-	-	8,343,633	6.86	-	-
Total funds (d)	**127,241,442**	**100.00**	**558,142**	**1.76**	**121,572,917**	**100.00**	**375,178**	**1.23**
Customer spread (a-c)				*2.25*				*2.77*
Spread (b-d)				*1.62*				*2.19*

Restated 2010 following Allianz-Popular Holding

Quarterly Yields and Costs

(Data in % and rates annualized)

	2010								2011	
	1st		2nd		3rd		4th		1st	
	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*	Distri-bution	*Rate*
Financial system	5.49	0.53	4.27	0.62	3.55	0.97	4.38	0.93	4.10	0.85
Loans and discounts (a)	74.11	4.20	74.40	4.00	74.32	4.00	73.80	4.05	73.20	4.06
Securities portfolio..............	11.10	2.39	11.97	2.49	12.58	2.65	12.63	2.68	13.56	2.66
Other assets	9.30	0.09	9.36	0.09	9.54	0.08	9.19	0.08	9.14	0.08
Total earning assets (b)	**100.00**	**3.42**	**100.00**	**3.31**	**100.00**	**3.35**	**100.00**	**3.37**	**100.00**	**3.38**
Financial system	16.35	0.88	15.65	1.00	15.77	1.13	11.30	1.40	8.71	1.65
Customer funds (c)	46.30	1.43	48.46	1.53	53.02	1.71	58.23	1.84	61.82	1.81
Demand accounts	11.99	0.35	11.91	0.38	12.21	0.54	11.22	0.57	11.48	0.66
Savings and time deposits	33.90	1.82	35.71	1.94	39.51	2.11	41.66	2.29	37.94	2.44
Deposits at central counter-party entities	0.41	0.31	0.84	0.52	1.30	0.49	5.35	0.96	12.40	0.97
Marketable debt securities & other	26.74	1.52	24.95	1.59	20.86	1.33	19.71	1.94	18.26	2.60
Other interest-bearing liabilities...	0.24	8.81	0.23	8.84	0.23	9.02	0.21	5.17	0.20	7.42
Other funds	3.51	-	3.98	-	3.44	-	3.97	-	4.10	-
Equity........................	6.86	-	6.72	-	6.70	-	6.58	-	6.91	-
Total funds (d)	**100.00**	**1.23**	**100.00**	**1.31**	**100.00**	**1.38**	**100.00**	**1.62**	**100.00**	**1.76**
Customer spread (a-c)		*2.77*		*2.47*		*2.29*		*2.21*		2.25
Spread (b-d)		*2.19*		*2.00*		*1.97*		*1.75*		*1.62*

Restated 2010 following Allianz-Popular Holding

Net Fee and Commission Income

(Amounts in € thousand)

	31.03.11	31.03.10	% variation	Distribution (%) 2011	2010
Banking services	160,321	150,796	6.3	93.4	92.6
Portfolio administration	19,000	18,591	2.2	11.0	11.4
Securities portfolios	4,610	4,735	(2.6)	2.7	2.9
Asset portfolio management	743	961	(22.7)	0.4	0.6
Mutual funds	12,399	11,619	6.7	7.2	7.1
Pension plans	1,248	1,276	(2.2)	0.7	0.8
Other banking services	119,153	108,541	9.8	69.5	66.6
Securities and foreign currency purchase and sale	2,852	2,790	2.2	1.7	1.7
Demand account administration	24,714	24,223	2.0	14.4	14.9
Provision of collateral and other guarantees	30,018	28,877	4.0	17.5	17.7
Asset transaction services	10,970	11,588	(5.3)	6.4	7.1
Collection and payment handling	18,336	18,601	(1.4)	10.7	11.4
Other	32,263	22,462	43.6	18.8	13.8
Means of payment	22,168	23,664	(6.3)	12.9	14.5
Defaults	11,298	12,103	(6.7)	6.6	7.4
Total	**171,619**	**162,899**	**5.4**	**100.00**	**100.0**

Restated 2010 following Allianz-Popular Holding

Personnel and general expenses

(Amounts in € thousand)

	31.03.11	31.03.10	% variation	Distribution (%) 2011	2010
Personnel expenses:	**189,852**	**187,468**	**1.3**	**63.8**	**66.1**
Wages and salaries	141,598	140,114	1.1	47.6	49.4
Social security charges	35,489	33,980	4.4	11.9	12.0
Other personnel expenses	6,140	6,792	(9.6)	2.1	2.4
Pensions	6,625	6,582	0.7	2.2	2.3
General expenses:	**107,834**	**96,014**	**12.3**	**12.9**	**33.9**
Rents and common services	27,120	27,753	(2.3)	9.1	9.8
Communications	6,133	4,424	38.6	2.1	1.6
Maintenance of premises and equipment	7,966	7,127	11.8	2.7	2.5
IT and other technical expenses	22,654	17,504	29.4	7.6	6.2
Stationery and office supplies	1,432	1,933	(25.9)	0.5	0.7
Technical reports and legal expenses	5,382	4,921	9.4	1.8	1.7
Advertising and publicity	5,088	4,773	6.6	1.7	1.7
Insurance	1,342	1,238	8.4	0.5	0.4
Security and fund transport services	4,155	4,164	(0.2)	1.4	1.5
Travel	2,369	2,254	5.1	0.8	0.8
VAT and other	16,459	12,024	36.9	5.5	4.2
Other general expenses	7,734	7,899	(2.1)	2.6	2.8
Total	**297,686**	**283,482**	**5.0**	**100.0**	**100.0**

Restated 2010 following Allianz-Popular Holding

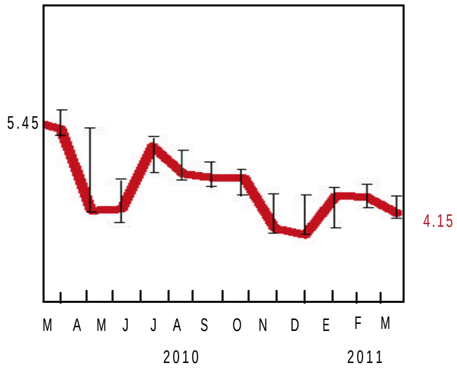
Market Performance of the Bank's Shares

Market information

Quarters		Share liquidity (Number in thousands) Average shares outstanding	Shares traded	%	Share market price (€) High	Low	Closing	Dividend paid (€)	Market return*
2010	1st	1,265,852	739,774	58.44	5.96	4.67	5.45	0.0750	7.7
	2nd	1,265,852	1,022,958	80.81	6.00	3.76	4.21	0.0750	(21.4)
	3rd	1,265,852	633,766	50.07	5.34	4.03	4.65	0.0835[1]	12.3
	4th	1,352,243	774,728	57.29	4.78	3.80	3.84	0.0750	(15.6)
Year total		**1,287,450**	**3,171,226**	**246.32**	**6.00**	**3.76**	**3.84**	**0.3085**	**(19.1)**
2011	1st	1,359,194	772,152	56.81	4.65	3.51	4.15	0.0500	9.3

** Appreciation (depreciation) and dividend as % of initial price in each period.*
[1] Delivery of 1 share for each 70 shares. Excess shares are paid taking as a referente the weighted average price at the session 16/04/2010, the day before the Anual General Meeting at which this distribution was approved (€5.8429).

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



Market ratios	31.03.11	31.03.10
Price / Book value	0.67	0.85
Price / Earnings (PE ratio)	8.95	9.40
Dividend return (*)	4.82	5.50

** Profitability calculated included the dividend piad in Q1, annualised*

Treasury Stock

(Thousands of shares)	Number Average	Maximum	Minimum	Closing	Total outstanding (a)	Total traded (b)	Treasury Stock* As % of (a)	As % of (b)
2010								
First quarter	23,231	28,287	15,657	24,050	1,333,151	739,744	1.74	3.14
Second quarter	31,224	38,999	20,839	29,386	1,333,151	1,022,958	2.28	2.98
Third quarter	17,880	30,102	11,135	18,916	1,333,151	633,766	1.34	2.82
Fourth quarter	20,684	29,475	4,212	26,080	1,375,284	774,728	1.50	2.67
2011								
First quarter	16,090	31,374	1,427	1,427	1,375,284	772,152	1.17	2.08

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

Basis of presentation and accounting principles and standards

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

The Bank of Spain, as the accounting regulator of the Spanish banking industry, implemented and adapted the accounting standards for credit institutions in its Circular 4/2004, as published in the Official State Gazette on December 30, 2004. That Circular was partly amended by Circular 6/2008 and by Circular 3/2010.

Accounting principles and policies and valuation standards

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

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

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

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

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

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

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

B) Income:

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

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

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

- Instruments classified in the trading portfolio, including financial derivatives, are recorded at fair value, with changes taken to the income statement.

- Loans and discounts and held-to-maturity investments are recorded at their amortized cost.

- Available-for-sale financial assets are valued at fair value, and changes in value are recorded in net worth until realized, at which time they are recognized in the income statement.

- Substantially all financial liabilities are valued at amortized cost.

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

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

Disclaimer

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

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NOTES

NOTES

BANCO POPULAR ESPAÑOL
Sede Social: C/Velázquez, 34. 28001. Madrid
Teléfono: 91 520 72 65
Fax: 91 577 92 09