

quarterly report

3Q2012

july
august
september



Datos significativos

(Amounts in € thousand)	30.09.12	30.09.11	Var. %
BUSINESS VOLUME			
Total assets managed	172.835.910	143.989.455	20,0
On-balance sheet total assets	158.162.708	131.686.861	20,1
Own funds	10.923.011	9.026.252	21,0
Adjusted customer deposits	77.914.027	64.891.300	20,1
Lending to customers (gross)	117.971.520	99.346.385	18,7
SOLVENCY			
Core capital EBA (%)	10,33	7,13	
Tier 1 (%)	10,56	9,76	
BIS ratio	11,30	10,01	
Leverage	14,43	14,51	
RISK MANAGEMENT			
Total risks	156.863.528	118.179.555	32,7
Non-performing loans	12.247.927	6.917.702	77,1
Allowances for credit losses	5.355.030	2.524.124	>
% nonperforming ratio	7,81	5,85	
% coverage of non-performing and written-off loans	60,92	57,34	
% coverage of non-performing and not written-off loans	43,72	36,49	
% coverage with guarantees	100,39 ¹	98,60	
EARNINGS			
Net interest income	2.103.554	1.560.015	34,8
Gross operating income	2.916.463	2.251.100	29,6
Profit before provisions	1.639.272	1.246.910	31,5
Profit before tax	367.017	368.635	(0,4)
Consolidated profit for the year	251.076	407.269	(38,4)
Net profit attributed to the Group	251.169	404.047	(37,8)
NET RETURN AND EFFICIENCY			
Average total assets	149.576.910	128.107.342	16,8
Average total equity	10.384.053	8.755.129	18,6
ROA (%)	0,22	0,42	
ROE (%)	3,23	6,15	
Operating efficiency (%)	40,31	41,11	
PER SHARE DATA			
Final number of shares fully diluted (thousands)	2.924.390 ²	1.628.172	79,6
Average number of shares (thousands)	2.878.148 ²	1.602.459	79,6
Share closing market price (€)	1,70	3,48	(51,1)
Market capitalization	4.974.387 ³	5.666.039	(12,2)
Book value per share diluted (€)	4,19	5,54	(24,5)
Net earnings per share (€)	0,087 ²	0,252	(65,5)
Dividend per share paid in the period (€)	0,120	0,150	(20,0)
Price/Book value	0,41	0,63	
Price/Earnings (annualized)	14,66	10,36	
OTHER DATA			
Shareholders	235.179	152.112	54,5
Employees	16.626	14.065	18,2
Spain	14.806	12.228	21,1
Men	9.491	8.267	14,8
Women	5.315	3.961	34,2
Abroad	1.820	1.837	(0,9)
Men	1.118	1.129	(1,0)
Women	702	708	(0,8)
Branches	2.488	2.220	12,1
Spain	2.280	1.969	15,8
Abroad	208	251	(17,1)
ATMs	3.140	2.851	10,1

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

(2) Including 98,168 thousand of debentures necessarily convertible in November 2015, 611,381 thousands of debentures convertible in April 2018, 137,496 thousands of debentures convertible in March 2014 and 29,394 thousands of debentures convertible in December 2014.

(3) Including the necessarily convertible debentures.

The Group's consolidated financial statements at 30 September 2012 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).

Note: Banco Pastor is included since 17th february 2012

Salient aspects

POSITIVE EVOLUTION OF EARNINGS AT END 30 SEPTEMBER 2012

The economic and regulatory context continued to generate instability in the financial markets and the banking system, but in spite of this the Banco Popular Group again made its business model work and generated a strong basis of recurring income. In this complicated environment Banco Popular successfully adapted to the changes and maintained the intrinsic profitability of its business while simultaneously managing the Bank's liquidity and strengthening the Group's capital base and solvency.

Noteworthy was the performance of income at 30 September 2012, which was up 29.6% year on year. Gross operating income in the first nine months of the year amounted to €2,916 million; in the third quarter of the year alone, the gross operating income was €891 million, up 22% on the previous year.

The pillars underpinning this growth in income, in addition to the integration of Banco Pastor, were:

- Net interest income was up 34.8% at €2,103 million at September end, and 29.6% higher year on year in the third quarter at €668 million. The keys to this sound growth were:
 - The evolution of the return on lending which maintained its positive annual growth by 14 basis points to 4.43% in the third quarter, although it was 20 basis points lower quarter on quarter partly because of extraordinary elements. In this connection noteworthy was the Bank's demonstrated repricing capability thanks to its business model which has bettered the credit spread in each of the last six quarters. Moreover, the high weight of its floors, representing 40% of the Bank's loan book, has and will enable it to maintain its proven strength of return on credit despite the complicated environment of record low interest rates.

As regards the cost of customer funds, the containment observed in preceding quarters was maintained with only a slight increase of 7 basis points in the last quarter to 2.18%, explicable by tactical management of retail deposit maturities which enabled the Bank to achieve the highest addition of deposits in the last seven quarters. The cost of wholesale funding increased in the third quarter by 75 basis points to 2.56%, basically because preceding quarters benefited from extraordinary elements.

- The customer spread therefore improved 23 basis points year on year to 2.42%. The NIM stood at 1.74%, 15 basis points higher than 3Q11.

Accordingly, the strength of Banco Popular's net interest income continued intact although in the third quarter its growth moderated from record levels as a consequence of tactical management of liquidity and the balance sheet and also because of the absence of extraordinary positive items.

- At the end of the third quarter, fees and commissions were up 16.8% year on year at €601 million, although they declined by 14% in the third quarter due to the customary seasonality in this quarter and the less active handling of ICO (supplier payment program) Lines than in the preceding quarter.
- The result on financial asset and liability transactions and other income was 19.9% higher at €211 million at 30 September 2012, basically because of the good evolution of the earnings on the former which offset the higher contribution to the Spanish Guarantee Deposit Fund.

PROFIT BEFORE PROVISIONS: POSITIVE EVOLUTION VIS-À-VIS THE BUSINESS PLAN

The strength of income mentioned earlier made it possible for the pre-provision profit to reach €1,639 million, up 31.4% year on year.

With this pre-provision profit performance, the efficiency ratio for the first nine months stood at 40.3%, the highest in the Spanish banking system, in which the ratio stands at around 60%.

COMMERCIAL ACTIVITY: MORE CUSTOMERS ADDED

Noteworthy in the third quarter was the sales effort of the Bank's commercial network for capturing and retaining liabilities, especially during the September campaigns. In that month more than €8,400 million were taken in, representing 114% of the maturities for the period. More than 11,800 new customers joined the Bank in the same period.

As regards the ICO Lines campaign, in which Banco Popular continues to be the outright leader, its market share stands at 19.3%, demonstrating that Banco Popular has yet again been the preferred bank of companies.

RISK MANAGEMENT: BANCO POPULAR ACCENTUATES PROACTIVE RISK MANAGEMENT

The non-performing loans ratio stands at 7.81% and the coverage of doubtful risks at 44%.

During the third quarter net additions to non-performing loans amounted to €2,023 million, higher than in the preceding quarters; this increase was due to: i) greater transfers from substandard to non-performing and more recognition of subjective non-performance (€707 million); and, ii) others, €1,316 million. Although the Bank expects still greater deterioration of credit quality as a result of the economic situation, particularly in the development and construction sector, the more proactive risk management is included in the new strategic plan, which envisages accumulated provisions in Spain in 2013 equal to 19% of the risks at 30 September 2012.

EXCELLENT LIQUIDITY POSITION: LOAN-TO-DEPOSIT RATIO OF 126%

The Bank continued its policy of reducing dependence on wholesale funding (by more than €22,000 million in the last four years). In the nine months to September end, after tactically managing retail funds and on-balance sheet credits, the Bank successfully again reduced the commercial gap by €5,336 million, which together with the issues at the beginning of the year amounting to €1,760 million, made possible cover of 122% for the maturities to date.

Additionally, there is also a second liquidity line of €12,652 million, which improved by over €2,000 million in the third quarter, furnishing confidence for the Bank to continue to support lending to its customers.

SOLVENCY: OLIVER WYMAN STRESS TEST RESULTS AND CAPITAL INCREASE

In the results of the stress tests conducted on Spanish banks by the consultant Oliver Wyman, Banco Popular exceeded the capital requirements of the base scenario. However, in the adverse scenario of these tests, Banco Popular was found to have €3,223 million of theoretical capital requirements. Despite the low probability of this scenario occurring (lower than 1%), Banco Popular has decided to comply with these requirements without having to have recourse to any kind of State aid, thus maintaining its traditional line of independence.

The Bank has therefore decided to carry out a capital increase of up to €2,500 million to meet the accelerated provision requirements of the pertinent two Royal Decree Laws and thereby to comply with the new capital standard requirements and the findings of the stress tests. As a result, Banco Popular will be one of the best provisioned and capitalized banks in Spain and in Europe, with coverage in its 2013 balance sheet of nearly 19% for expected losses in its portfolio at 30 September, including bad debts write-offs.

BUSINESS PLAN UPDATE

Following the outcome of the stress tests mentioned above, Banco Popular updated its business plan with the following fundamental features:

- To book accelerated write-downs amounted €9.3bn in 2012 and €2.2bn in 2013.
- To recapitalise the Bank immediately by a capital increase of up to €2,500 million.
- To set up an internal 'bad bank' to proactively manage the problem assets.
- After the accelerated write-downs and the recapitalisation plan, Banco Popular will be the best provisioned, most solvent and most profitable institution among all its peers.

Balance Sheet

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
ASSETS					
Cash and balances with central banks	1,695,518	522,205	1,209,658	>	40.2
Financial assets held for trading	2,055,437	1,316,564	1,359,095	56.1	51.2
Other financial assets at fair value through profit or loss	548,583	377,504	399,658	45.3	37.3
Investment portfolio	20,138,875	17,974,161	17,539,082	12.0	14.8
Loans and receivables	118,534,846	100,741,920	101,389,141	17.7	16.9
Loans and advances to other debtors	113,309,645	96,771,099	97,230,104	17.1	16.5
Other loans and receivables	4,245,110	3,970,821	4,159,037	6.9	2.1
Of which interbank deposits	398,022	590,536	270,824	(32.6)	47.0
Fixed income	980,091	-	-		
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	175,260	19,546	4,492	>	>
Hedging derivatives	889,273	1,092,040	1,017,789	(18.6)	(12.6)
Non-current assets held for sale	5,153,225	3,601,723	3,382,818	43.1	52.3
Investments	866,835	595,184	599,436	45.6	44.6
Insurance contracts linked to pensions	168,974	141,809	146,588	19.2	15.3
Reinsurance assets	3,005	3,033	2,949	(0.9)	1.9
Tangible assets	1,970,365	1,734,231	1,695,210	13.6	16.2
Intangible assets	1,937,828	649,131	648,505	>	>
Tax assets	2,370,463	1,212,610	1,287,622	95.5	84.1
Other assets	1,654,221	944,042	1,004,818	75.2	64.6
Total Assets	158,162,708	130,925,703	131,686,861	20.8	20.1

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
LIABILITIES					
Financial liabilities held for trading	1,466,583	1,104,323	1,113,447	32.8	31.7
Other financial liabilities at fair value through profit or loss	90,743	93,761	97,034	(3.2)	(6.5)
Financial liabilities at amortised cost:	142,618,587	118,279,831	119,234,069	20.6	19.6
Liabilities of credit institutions	31,569,343	25,330,275	14,978,708	24.6	>
Of which interbank deposits	2,800,646	3,496,413	5,235,694	(19.9)	(46.5)
Deposits from other creditors	81,681,433	68,742,520	80,290,903	18.8	1.7
Debt certificates including bonds	25,645,417	20,448,938	20,396,241	25.4	25.7
Subordinated liabilities	2,548,907	2,834,927	2,603,596	(10.1)	(2.1)
Other financial liabilities	1,173,487	923,171	964,621	27.1	21.7
Hedging derivatives	1,933,168	1,414,056	1,280,951	36.7	50.9
Insurance contract liabilities	703,753	571,109	566,075	23.2	24.3
Provisions for contingent exposures	467,786	281,552	314,780	66.1	48.6
Tax liabilities	450,454	279,630	456,915	61.1	(1.4)
Other liabilities	489,092	513,217	303,612	(4.7)	61.1
Total liabilities	148,220,166	122,537,479	123,366,883	21	20.1

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
EQUITY					
Total equity	10,923,011	9,124,148	9,026,252	19.7	21.0
Capital, reserves and retained earnings	10,671,842	8,712,914	8,692,212	22.5	22.8
Profit or loss for the period	251,169	479,653	404,047		(37.8)
Dividends paid and declared	-	(68,419)	(70,007)	(100.0)	(100.0)
Valuation adjustments	(1,022,778)	(841,923)	(813,964)	21.5	25.7
Minority interests	42,309	105,999	107,690	(60.1)	(60.7)
Net asset value	9,942,542	8,388,224	8,319,978	18.5	19.5
Total liabilities and equity	158,162,708	130,925,703	131,686,861	20.8	20.1

Commercial GAP

(Amounts in € million)	30.09.12
Lending to customers	113,310
Other lending	(232)
Repos	(6,779)
Total lending to customers net (ex repos) (a)	106,299
Current accounts	22,398
Term deposits	44,806
Others and valuation adjustments	896
Subtotal customer deposits (ex repos)	68,100
Retail Commercial paper	7,623
Funding from ICO public credit lines (prefunded)	5,723
Securitizations sold to third parties	631
Marketable securities distributed through the branch network	1,508
Tax collection accounts	560
Total customer deposits (b)	84,145
GAP (a-b)	22,154
LTD (a/b)	126%

Funds Managed

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
Customer deposits					
General government	10,139,200	1,265,191	2,699,209	>	>
Other private sectors:	66,022,145	57,509,905	60,034,776	14.8	10.0
Residents	57,466,954	50,092,127	52,869,104	14.7	8.7
Nonresidents	8,555,191	7,417,778	7,165,672	15.3	19.4
Valuation adjustments (±)	274,742	309,522	342,863	(11.2)	(19.9)
Subtotal customer deposits	76,436,087	59,084,618	63,076,848	29.4	21.2
Deposits at central counterparty entities	5,245,346	9,657,902	17,214,055	(45.7)	(69.5)
Total customer deposits	81,681,433	68,742,520	80,290,903	18.8	1.7
Unadjusted debt certificates including bonds:	24,877,902	19,752,083	19,787,684	26.0	25.7
Bonds and other securities outstanding	16,909,888	17,318,165	17,791,581	(2.4)	(5.0)
Commercial paper	7,968,014	2,433,918	1,996,103	>	>
Valuation adjustments (±)	767,515	696,855	608,557	10.1	26.1
Total debt certificates including bonds	25,645,417	20,448,938	20,396,241	25.4	25.7
Subordinated liabilities	2,548,907	2,834,927	2,603,596	(10.1)	(2.1)
Total on-balance sheet funds (a)	109,875,757	92,026,385	103,290,740	19.4	6.4
Mutual funds	7,495,338	6,138,586	6,128,085	22.1	22.3
Asset portfolio management	758,163	771,063	798,630	(1.7)	(5.1)
Pension funds	4,806,369	4,098,518	3,949,767	17.3	21.7
Insurance premium	1,613,332	1,454,938	1,426,112	10.9	13.1
Total other intermediated funds (b)	14,673,202	12,463,105	12,302,594	17.7	19.3
Total funds managed (a+b)	124,548,959	104,489,490	115,593,334	19.2	7.7

Customer deposits

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
Demand deposits	22,398,014	19,287,178	20,211,337	16.1	10.8
Time deposits	44,806,875	38,648,677	40,200,962	15.9	11.5
Asset repos	8,335,633	394,887	1,706,762	>	>
Other accounts and valuation adjustments	895,565	753,876	957,787	18.8	(6.5)
Subtotal customer deposits	76,436,087	59,084,618	63,076,848	29.4	21.2
Marketable securities distributed through the branch network (*)	9,813,573	2,595,766	3,521,214	>	>
Asset repos	(8,335,633)	(394,887)	(1,706,762)	>	>
Total customer funds ex repos	77,914,027	61,285,497	64,891,300	27.1	20.1

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

Lending to customers

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
Lending to general government	4,025,991	1,211,994	1,346,217	>	>
Lending to other private sectors	113,713,284	97,063,105	97,575,570	17.2	16.5
Residents	103,095,865	86,263,289	87,164,598	19.5	18.3
Nonresidents	10,617,419	10,799,816	10,410,972	(1.7)	2.0
Total lending to customers ex-repos	117,739,275	98,275,099	98,921,787	19.8	19.0
Other loans	232,245	597,669	424,598	(61.1)	(45.3)
Total credit to customers and others	117,971,520	98,872,768	99,346,385	19.3	18.7
Valuation adjustments (+/-)	(4,661,875)	(2,101,669)	(2,116,281)	>	>
Total	113,309,645	96,771,099	97,230,104	17.1	16.5

Lending to customers by type

(Amounts in € thousand)	30.09.12	31.12.11	30.09.11	% variation	
				6 months	12 months
Trade loans and discounts	3,689,289	4,304,512	4,302,573	(14.3)	(14.3)
Secured loans	58,184,968	49,076,376	48,378,258	18.6	20.3
Mortgage	56,318,709	47,222,458	46,624,209	19.3	20.8
Other	1,866,259	1,853,918	1,754,049	0.7	6.4
Repos	6,767,807	6,210,245	6,702,804	9.0	1.0
Term loans and other lending	34,435,705	29,464,867	30,546,841	16.9	12.7
Leasing	2,902,219	2,749,935	2,763,657	5.5	5.0
Doubtful assets	11,991,532	7,066,833	6,652,252	69.7	80.3
Total lending to customers	117,971,520	98,872,768	99,346,385	19.3	18.7

Risk Management Performance*

(Amounts in € thousand)	30.09.12	30.09.11	Variation	
			Amount	In %
NONPERFORMING LOANS:				
Balance at 1 January	7,323,272	6,055,019	1,268,253	20.9
Additions	6,138,344	3,106,097	3,032,247	97.6
Recoveries	2,416,516	1,513,928	902,588	59.6
Other changes ⁽¹⁾	2,163,204	-	2,163,204	
Net variation	5,885,032	1,592,169	4,292,863	>
% increase	80	26		
Writeoffs	(960,377)	(729,486)	(230,891)	31.7
Balance at 30 September	12,247,927	6,917,702	5,330,225	77.1

(1) Basically, the contribution from Banco Pastor

(Amounts in € thousand)	30.09.12	30.09.11	Variation	
			Amount	In %
CREDIT LOSS ALLOWANCES:				
Balance at 1 January	2,530,076	2,448,164	81,912	3.3
Annual provision:				
Gross	2,320,677	1,985,147	335,530	16.9
Recoveries	(1,268,130)	(1,111,453)	(156,677)	14.1
Net	1,052,547	873,694	178,853	20.5
Other variations ⁽¹⁾	2,732,466	(92,411)	2,824,877	
Writeoffs	(960,059)	(705,323)	(254,736)	36.1
Balance at 30 September	5,355,030	2,524,124	2,830,906	>
Of which sub-standard risk provisions	1,042,187	826,527	215,660	26.1

(1) Basically, the contribution from Banco Pastor

(Amounts in € thousand)	Specific	General	Country risk	Total
Balance at 1 January	2,414,460	113,537	2,079	2,530,076
Net provisions	1,165,914	(113,537)	170	1,052,547
Amount used	(960,059)	-	-	(960,059)
Other variations and transfers	2,732,466	-	-	2,732,466
Balance at 30 September	5,352,781	-	2,249	5,355,030

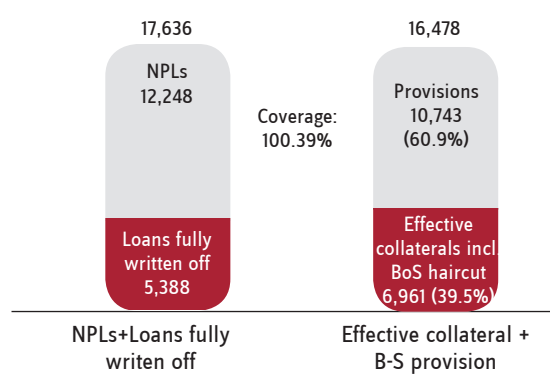
Risk Management Performance

(%)			Variation	
	30.09.12	30.09.11	Amount	In %
RISK QUALITY MEASURES				
Total Risks	156,863,528	118,179,555	38,683,973	32.7
Nonperformance (Nonperforming loans/Total risks)	7.81	5.85	1.96	
Credit risk premium	1.11	1.11	-	
Typical spread on lending to customers	2.04	1.76	0.28	

(Amounts in € thousand)	30.09.12
COVERAGE BY TYPE OF NON-PERFORMING BALANCE	
Non-performing balances without mortgage guarantee or pledge guarantee	3,290,283
Non-performing balances with mortgage guarantee or pledge guarantees	8,957,644
Value of guarantees (including haircuts)	6,960,832
Total non-performing balances	12,247,927
Loans fully written off	5,388,094
Non-performing balances+Loans fully written off	17,636,021
Total value of guarantees (*)	6,960,832
Provisions for insolvency	5,355,030
Provisions for insolvency with written-off balances	10,743,124
% Coverage for non-performing and written-off balances	60.92
% Coverage for non-performing balances excl written-off balances	43.72
% Coverage with guarantees	100.39

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

Coverage analysis (€ million)



(Amounts in € thousand)			Variation	
	30.09.12	30.09.11	Amount	In %
ASSET IMPAIRMENT				
Financial assets	990,953	767,783	223,170	29.1
Credit risk and provisioning	920,093	773,258	146,835	19.0
Of which: bad debts recovered	160,158	113,259	46,899	41.4
Investments	70,860	(5,475)	76,335	
Non-financial assets and property	278,780	614,724	(335,944)	(54.7)
Total	1,269,733	1,382,507	(112,774)	(8.2)

Solvency. EBA

(Amounts in € thousand)	30.09.12	30.09.11
Capital	3,783,867	2,102,718
Reserves	6,578,483	6,360,700
Convertibles	1,940,604	-
Minority interest	45,379	22,808
Deductions	(2,550,692)	(2,069,227)
Total core capital EBA	9,797,642	6,417,000
Core capital EBA (%)	10.33	7.13
Preferred shares*	215,408	2,357,875
Tier 1 deductions	(2,550,692)	(2,069,227)
Total Own funds Tier 1	10,013,050	8,774,875
Ratio Tier 1 (%)	10.56	9.76
Own funds BIS computable	10,718,509	8,997,993
Ratio BIS (%)	11.30	10.01
Leverage ⁽¹⁾	14.43	14.51
Total risk weighted assets	94,837,602	89,931,013
from which credit risk	86,699,743	83,172,550
from which operational risk	7,132,336	6,293,613
from which market risk	1,005,523	464,850

* Includes MCN

(1) Calculated with data as of each period end

Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net asset value
Balance at 31/12/2011	9,124,148	(841,923)	105,999	8,388,224
Capital increase	1,581,235	-	-	1,581,235
Variation in treasury stock	66,414	-	-	66,414
Gain on treasury stock transactions	(57,641)	-	-	(57,641)
Actuarial differences	4,567	-	-	4,567
Remuneration of mandatory convertible debentures	(21,820)	-	-	(21,820)
Consolidation operations and other (net)	(25,609)	-	3,575	(22,034)
Corporate operations	548	-	(66,905)	(66,357)
Value adjustments	-	(180,855)	(130)	(180,985)
Net profit at 30 September 2012	251,169	-	(93)	251,076
Dividends paid/announced in 2011	-	-	(137)	(137)
Balance at 30/09/2012	10,923,011	(1,022,778)	42,309	9,942,542

Mandatory convertible notes

(Amounts in € thousand)	Amount	Balance sheet consideration	Coupon payment accounting method	Conversion price	Conversion date
BSOC I/2012	1,039,959	Subordinated debt	Through Net Interest Income	Floating at market price. Floor:1,48€	April 2018
BSOC II/2012	31,760	Equity	Equity	Fixed price: 6.9452€	October 2013
	650,037	Equity	Equity	Fixed price: 6.9452€	November 2015
BSOC III/2012	233,880	Subordinated debt	Through Net Interest Income	Floating. At market price. Floor:1€	1/3 March 2013, 1/3 September 2013, 1/3 March 2014
BSOC IV/2012	50,000	Subordinated debt	Through Net Interest Income	Floating. At market price. Floor:1€	1/3 December 2013, 1/3 June 2014, 1/3 December 2014
TOTAL	2,005,636				

Net profit should be adjusted by €84m gross in a diluted basis to exclude the cost of the coupons of the MCNs.

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	30.09.12	30.09.11	% variation	30.09.12	30.09.11	Variation
Interest and similar income	4,158,906	3,385,184	22.9	3.71	3.53	0.18
- Interest expense and similar charges	2,055,352	1,825,169	12.6	1.83	1.90	(0.07)
= Net interest income	2,103,554	1,560,015	34.8	1.88	1.63	0.25
+Return on equity instruments	3,229	4,929	(34.5)	-	0.01	(0.01)
+ Share of results of entities accounted for using the equity method	16,495	36,193	(54.4)	0.01	0.04	(0.03)
+Fees and commissions, net	601,401	515,054	16.8	0.54	0.54	-
±Gains or losses on financial assets and liabilities (net)	242,257	61,178	>	0.22	0.06	0.16
+Exchange differences (net)	42,647	34,794	22.6	0.04	0.03	0.01
±Other operating results (net)	(93,120)	38,937		(0.09)	0.04	(0.13)
=Gross operating income	2,916,463	2,251,100	29.6	2.60	2.35	0.25
- Administrative expenses:	1,175,732	925,327	27.1	1.05	0.97	0.08
Personnel expenses	705,366	581,277	21.3	0.63	0.61	0.02
Other general administrative expenses	470,366	344,050	36.7	0.42	0.36	0.06
- Depreciation & amortisation	101,459	78,863	28.7	0.09	0.08	0.01
=Net operating income (Pre-provision profit)	1,639,272	1,246,910	31.5	1.46	1.30	0.16
- Financial asset impairment and provisioning	990,953	767,783	29.1	0.88	0.80	0.08
- Impairment of other assets	278,780	614,724	(54.6)	0.25	0.64	(0.39)
±Gains/(Losses) on assets sales (net)	(2,522)	504,232		-	0.52	(0.52)
=Profit before tax	367,017	368,635	(0.4)	0.33	0.38	(0.05)
-Income tax	115,941	(38,634)		0.11	(0.04)	0.15
+Gains/losses on discontinued operations (net)	-	-		-	-	-
=Consolidated profit for the year	251,076	407,269	(38.4)	0.22	0.42	(0.20)
- Profit attributed to minority interests	(93)	3,222		-	-	-
=Profit attributed to the controlling company	251,169	404,047	(37.8)	0.22	0.42	(0.20)
Net return on risk-weighted assets (RORWA) (%)				0.20	0.90	(0.70)
Net return on equity (ROE) (%)				3.23	6.15	(2.92)
Operating efficiency ratio (%)				40.31	41.11	(0.80)
In € million						
Average total assets				149,577	128,107	21,470
Average risk-weighted assets (RWA)				94,562	90,450	4,112
Average equity				10,384	8,755	1,630

Quarterly Consolidated Income

(Amounts in € thousand)	2011		2012		
	3Q	4Q	1Q	2Q	3Q
Interest and similar income	1,180,778	1,195,337	1,342,929	1,440,890	1,375,087
- Interest expense and similar charges	665,755	668,441	650,065	697,901	707,386
= Net interest income	515,023	526,896	692,864	742,989	667,701
+Return on equity instruments	1,094	3,566	382	1,980	867
+Share of results of entities accounted for using the equity method	13,835	9,875	12,794	1,053	2,648
+Fees and commissions, net	164,797	170,478	186,316	223,207	191,878
±Gains or losses on financial assets and liabilities (net)	24,473	20,301	53,832	135,323	53,102
+Exchange differences (net)	14,044	12,951	12,355	15,498	14,794
±Other operating results (net)	(3,200)	1,467	(23,424)	(29,415)	(40,281)
=Gross operating income	730,066	745,534	935,119	1,090,635	890,709
- Administrative expenses:	314,716	337,638	365,464	414,851	395,417
Personnel expenses	194,103	197,479	221,706	245,778	237,882
Other general administrative expenses	120,613	140,159	143,758	169,073	157,535
- Depreciation & amortisation	26,043	27,328	31,085	35,871	34,503
=Net operating income (Pre-provision profit)	389,307	380,568	538,570	639,913	460,789
Financial asset impairment and provisioning	189,782	184,555	310,290	428,238	252,425
- Impairment of other assets	93,099	123,128	88,534	106,258	83,988
±Gains/(Losses) on assets sales (net)	1,476	2,621	235	(1,753)	(1,004)
=Profit before tax	107,902	75,506	139,981	103,664	123,372
- Income tax	7,459	(1,201)	39,395	28,544	48,002
+Gains/losses on discontinued operations (net)	-	-	-	-	-
=Consolidated profit for the year	100,443	76,707	100,586	75,120	75,370
- Profit attributed to minority interests	1,821	1,101	407	(292)	(208)
=Profit attributed to the controlling company	98,622	75,606	100,179	75,412	75,578

Quarterly Profitability

(Annualized % of ATA)	2011			2012	
	2Q	3Q	4Q	1Q	2Q
Interest and similar income	3.64	3.70	3.78	3.76	3.58
- Interest expense and similar charges	2.05	2.07	1.83	1.82	1.84
= Net interest income	1.59	1.63	1.95	1.94	1.74
+Return on equity instruments	-	0.01	-	0.01	-
+Share of results of entities accounted for using the equity method	0.04	0.03	0.04	-	0.01
+Fees and commissions, net	0.51	0.53	0.53	0.58	0.50
±Gains/losses on financial assets and liabilities (net)	0.08	0.06	0.14	0.35	0.14
+Exchange differences (net)	0.04	0.04	0.03	0.04	0.04
±Other operating results (net)	(0.01)	0.01	(0.06)	(0.07)	(0.11)
=Gross operating income	2.25	2.31	2.63	2.85	2.32
- Administrative expenses:	0.97	1.05	1.03	1.08	1.03
Personnel expenses	0.60	0.61	0.62	0.64	0.62
Other general administrative expenses	0.37	0.44	0.41	0.44	0.41
- Depreciation & amortisation	0.08	0.08	0.09	0.10	0.09
=Net operating income (Pre-provision profit)	1.20	1.18	1.52	1.67	1.20
- Financial asset impairment and provisioning	0.59	0.57	0.87	1.12	0.66
- Impairment of other assets	0.29	0.39	0.25	0.28	0.22
±Gains/(Losses) on assets sales (net)	0.01	0.01	0.00	(0.00)	(0.00)
=Profit before tax	0.33	0.23	0.39	0.27	0.32
- Income tax	0.02	(0.01)	0.11	0.07	0.12
+Gains/losses on discontinued operations (net)	-	-	-	-	-
=Consolidated profit for the year	0.31	0.24	0.28	0.20	0.20
- Profit attributed to minority interests	0.01	-	-	-	-
=Profit attributed to the controlling company	0.30	0.24	0.28	0.20	0.20
Net return on risk-weighted assets (RORWA) (%)	0.44	0.34	0.43	0.73	0.31
Net return on equity (ROE) (%)	4.53	3.48	4.01	2.89	2.83
Operating efficiency ratio (%)	43.11	45.29	39.08	38.04	44.39
In € million					
Average total assets	129,783	129,034	141,963	153,281	153,487
Average risk-weighted assets (RWA)	90,285	89,056	92,639	96,088	96,007
Average equity	8,700	8,685	10,005	10,420	10,685

Yields and Costs

(Amounts in € thousand and rates annualized)									
	Average balance	30.09.12			Average rate (%)	Average balance	30.09.11		
		Distribution (%)	Income or expense	Average rate (%)			Distribution (%)	Income or expense	Average rate (%)
Financial system	4,339,577	2.90	29,116	0.89	4,488,649	3.51	39,667	1.18	
Loans and discounts (a)	106,926,672	71.49	3,649,672	4.55	94,390,505	73.84	2,970,423	4.20	
Securities portfolio	20,044,485	13.40	473,933	3.15	17,434,582	13.64	368,092	2.82	
Other assets	18,266,176	12.21	6,185	0.05	11,793,606	9.01	7,002	0.08	
Total earning assets (b)	149,576,910	100.00	4,158,906	3.71	128,107,342	100.00	3,385,184	3.53	
Financial system	30,883,574	20.65	379,668	1.64	11,946,324	9.35	178,150	1.99	
Customer funds (c)	80,499,630	53.82	1,284,242	2.13	80,419,570	62.91	1,180,644	1.96	
Demand accounts	15,426,463	10.31	63,927	0.55	14,930,772	11.68	89,461	0.80	
Savings and time deposits	56,763,407	37.95	1,056,120	2.48	48,993,305	38.36	932,603	2.54	
Deposits at central counterparty entities	3,208,706	2.15	15,834	0.66	16,096,570	12.56	152,436	1.26	
Retail commercial paper	5,101,054	3.41	148,361	3.88	398,923	0.31	6,144	2.05	
Marketable debt securities & other	22,720,975	15.19	374,937	2.20	22,510,078	17.61	452,900	2.68	
Other interest-bearing liabilities	352,235	0.24	16,505	6.25	246,962	0.19	13,475	7.28	
Other funds	4,736,443	3.16	-	-	4,229,279	3.09	-	-	
Equity	10,384,053	6.94	-	-	8,755,129	6.85	-	-	
Total funds (d)	149,576,910	100.00	2,055,352	1.83	128,107,342	100.00	1,825,169	1.90	
<i>Customer spread (a-c)</i>				2.42				2.24	
<i>Spread (b-d)</i>				1.88				1.63	

Quarterly Yields and Costs

(Data in % and rates annualized)

	2011				2012					
	3Q		4Q		1Q		2Q		3Q	
	Distribu- tion	Rate	Distribu- tion	Rate	Distribu- tion	Rate	Distribu- tion	Rate	Distribu- tion	Rate
Financial system	3.43	1.45	3.43	1.37	3.12	0.93	2.56	1.10	3.05	0.69
Loans and discounts (a)	73.89	4.29	73.40	4.41	72.11	4.60	71.52	4.63	70.88	4.43
Securities portfolio	13.38	3.11	13.27	3.12	13.49	3.19	13.51	3.09	13.21	3.18
Other assets	9.30	0.08	9.90	0.07	11.28	0.05	12.41	0.05	12.86	0.03
Total earning assets (b)	100.00	3.64	100.00	3.70	100.00	3.78	100.00	3.76	100.00	3.58
Financial system	10.03	2.33	13.19	1.82	18.13	1.62	19.86	1.90	23.76	1.43
Customer funds (c)	62.86	2.11	59.56	2.26	55.13	2.09	54.98	2.11	51.44	2.18
Demand accounts	11.56	0.90	10.86	0.72	10.41	0.71	10.32	0.53	10.22	0.42
Savings and time deposits	38.16	2.66	37.37	2.90	36.04	2.65	39.04	2.45	35.04	2.55
Deposits at central counterparty entities	12.88	1.54	10.75	1.39	6.78	0.82	1.99	0.37	1.61	0.25
Retail commercial paper	0.26	2.37	0.58	3.40	1.90	3.69	3.63	3.84	4.57	3.99
Marketable debt securities & other	17.29	2.75	17.03	2.73	16.49	2.25	15.18	1.81	14.01	2.56
Other interest-bearing liabilities	0.19	5.96	0.18	9.85	0.20	6.05	0.26	4.04	0.25	8.70
Other funds	2.93	-	3.31	-	3.00	-	2.92	-	3.58	-
Equity	6.70	-	6.73	-	7.05	-	6.80	-	6.96	-
Total funds (d)	100.00	2.05	100.00	2.07	100.00	1.83	100.00	1.82	100.00	1.84
<i>Customer spread (a-c)</i>		2.18		2.15		2.51		2.52		2.25
<i>Spread (b-d)</i>		1.59		1.63		1.95		1.94		1.74

Net Fee and Commission Income

(Amounts in € thousand)				Distributions (%)	
	30.09.12	30.09.11	% variation	30.09.12	30.09.11
Banking services	565,598	483,039	17.1	94.0	93.8
Portfolio administration	57,631	55,726	3.4	9.6	10.8
Securities portfolios	20,792	17,214	20.8	3.5	3.3
Asset portfolio management	2,221	2,520	(11.9)	0.4	0.5
Mutual funds	29,555	31,018	(4.7)	4.9	6.0
Pension plans	5,063	4,974	1.8	0.8	1.0
Other banking services	428,937	354,354	21.0	71.3	68.8
Securities and foreign currency purchase and sale	7,616	7,839	(2.8)	1.3	1.5
Demand account administration	80,642	73,117	10.3	13.4	14.2
Provision of collateral and other guarantees	109,273	95,256	14.7	18.2	18.5
Asset transaction services	34,125	34,478	(1.0)	5.7	6.7
Collection and payment handling	67,196	58,096	15.7	11.2	11.3
Other	130,085	85,568	52.0	21.5	16.6
Means of payment	79,030	72,959	8.3	13.1	14.2
Defaults	35,803	32,015	11.8	6.0	6.2
Total	601,401	515,054	16.8	100.0	100.0

Personnel and general expenses

(Amounts in € thousand)					
				Distributions (%)	
	30.09.12	30.09.11	% variation	30.09.12	30.09.11
Personnel expenses:	705,366	581,277	21.3	60.0	62.8
Wages and salaries	537,092	435,650	23.3	45.7	47.1
Social security charges	129,631	105,011	23.4	11.0	11.3
Other personnel expenses	20,798	18,083	15.0	1.8	2.0
Pensions	17,845	22,533	(20.8)	1.5	2.4
General expenses:	470,366	344,050	36.7	40.0	37.2
Rents and common services	118,307	82,765	42.9	10.1	9.0
Communications	26,843	21,251	26.3	2.3	2.3
Maintenance of premises and equipment	33,509	23,292	43.9	2.9	2.5
IT and other technical expenses	102,859	65,118	58.0	8.7	7.0
Stationery and office supplies	6,408	4,763	34.5	0.5	0.5
Technical reports and legal expenses	30,335	19,078	59.0	2.6	2.1
Advertising and publicity	32,031	22,892	39.9	2.7	2.5
Insurance	7,933	4,034	96.7	0.7	0.4
Security and fund transport services	17,745	14,783	20.0	1.5	1.6
Travel	7,832	6,719	16.6	0.7	0.7
VAT and other	64,958	56,739	14.5	5.5	6.1
Other general expenses	21,606	22,616	(4.5)	1.8	2.5
Total	1,175,732	925,327	27.1	100.0	100.0

Market Performance of the Bank's Shares

MARKET INFORMATION								
Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2011 1Q	1,375,285	772,152	56.14%	4.65	3.51	4.15	0.0500	9.32%
2011 2Q	1,382,863	556,331	40.23%	4.41	3.63	3.88	0.0500 ⁽¹⁾	(5.23%)
2011 3Q	1,398,200	612,198	43.78%	4.03	3.01	3.48	0.0500 ⁽²⁾	(9.04%)
2011 4Q	1,400,636	363,695	25.97%	3.60	2.752	3.52	0.0500	2.59%
Year total	1,389,246	2,304,376	165.87%	4.65	2.75	3.52	0.2000	(3.13%)
2012 1Q	1,424,964	594,986	41.75%	3.68	2.66	2.69	0.0400 ⁽³⁾	(22.44%)
2012 2Q	1,835,251	853,425	46.50%	2.73	1.54	1.78	0.0800 ⁽⁴⁾	(30.74%)
2012 3Q	2,006,128	569,895	28.41%	1.94	1.25	1.70	0.0000	(4.60%)

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

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

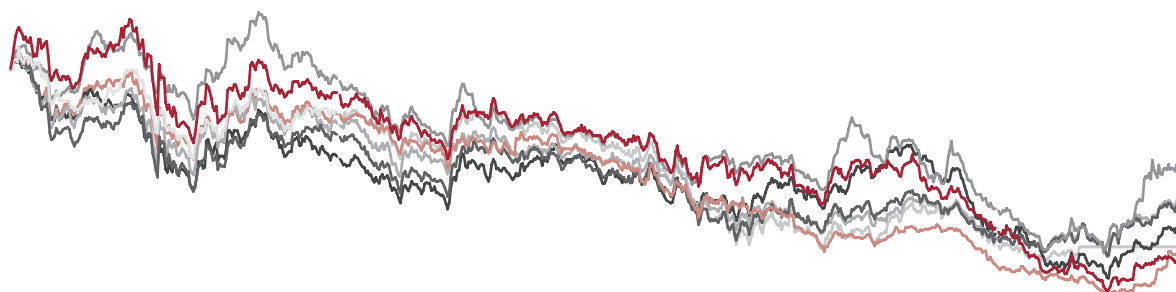
(2) Optional dividend: cash payment of €0.05 (gross) or exchange for new issue shares at the rate of 1 for 78 (reference price €3.881)

(3) Optional dividend: cash payment of €0.04 (gross) or exchange for new issue shares at the rate of 1 for 77 (reference price €3.058)

(4) Optional dividend: cash payment of €0.08 (gross) or exchange for shares from treasury stock at rate of 1 x21 (reference price €1.684)

MARKET RATIOS	30.09.12	30.09.11
Price / Book value	0.41	0.63
Price / Earnings (PE ratio)	14.66	10.36

Banco Popular share price vs Spanish Banks and Eurostoxx Banks



January 2010

September 2012

■ Banco Popular ■ Eurostoxx Banks ■ Bank 1 ■ Bank 2 ■ Bank 3 ■ Bank 4 ■ Bank 5

TREASURY STOCK	Average	Maximum	Minimum	Closing	Total outstanding (a)	Total traded (b)	Treasury Stock*	
							As % of (a)	As % of (b)
2011								
First quarter	16,090	31,374	1,427	1,427	1,375,284	772,152	1.17%	2.08%
Second quarter	15,943	28,736	1,427	22,506	1,387,298	556,331	1.15%	2.87%
Third quarter	38,898	47,148	19,192	35,600	1,400,147	612,198	2.78%	6.35%
Fourth quarter	40,422	48,314	30,752	42,715	1,400,930	363,695	2.89%	11.11%
2012								
First quarter	30,848	43,705	7,145	41,378	1,796,728	594,986	1.72%	5.18%
Second quarter	56,423	73,372	1,337	1,337	2,047,379	853,425	2.76%	6.61%
Third quarter	41,348	55,486	2,286	47,725	2,047,951	569,895	2.02%	7.26%

* 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.

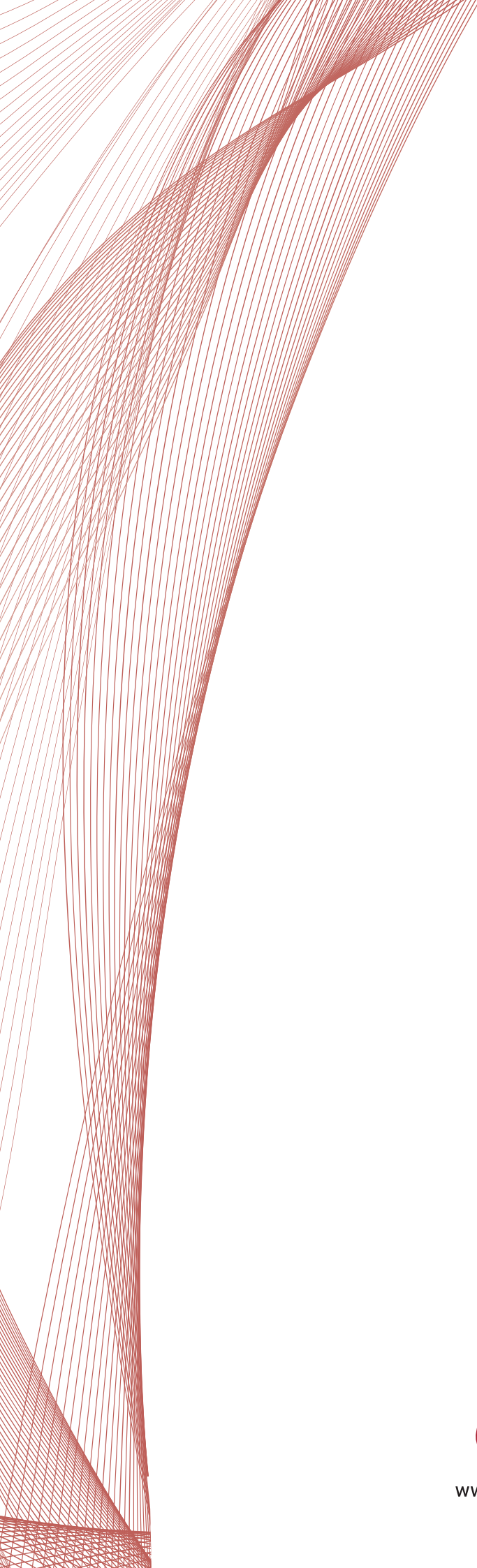
B2) Interest and dividends: Interest is recognized on an accrual basis by the effective interest rate method, and dividends are recorded when declared.

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.



www.bancopopular.es