

1st Quarter 2017

Quarterly Report

Popular

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1. Banco Popular Group

Banco Popular Group Main highlights

BUSINESS VOLUME	31.03.16	31.03.17
Total assets managed	182,229,911	167,212,883
On-balance sheet total assets	161,995,367	147,114,451
Own funds	12,754,809	11,068,555
Customer deposits	86,772,152	84,163,766
Lending to customers (gross)	106,873,510	100,859,849

NET RETURN AND EFFICIENCY	31.03.16	31.03.17
Average total assets	156,327,021	142,971,378
Average risk-weighted assets (RWA)	75,487,331	62,008,781
Average total equity	12,643,092	11,190,104
ROA (%)	0.24	(0.38)
RORWA (%)	0.50	(0.88)
ROTE (%)	4.29	(8.01)
Operating efficiency (%)	45.61	48.72



BANCO POPULAR GROUP

(in thousands € and %)

RISK MANAGEMENT	31.03.16	31.03.17
Total risks	140,267,303	128,177,628
Non-performing loans	17,785,911	19,112,485
Allowances for credit losses	7,149,205	10,317,105
% non-performing ratio	12.68	14.91
% coverage of non-performing loans and written-off loans*	52.40	62.00
NPL Coverage Ratio ex written-off (%)*	38.23	51.42
Coverage ratio with guarantees (%)*	98.57	101.29
NPA Coverage ratio (%)*	36.46	45.22

EARNINGS	31.03.16	31.03.17
Net interest income	551,460	499,595
Gross operating income	830,635	679,781
Profit before provisions	416,699	308,654
Profit before tax	124,245	(197,731)
Consolidated profit for the year	93,611	(137,117)
Net profit attributed to the Group	93,792	(137,050)

*The coverage ratio for NPLs and REOs does not include mortgage floor clause provisions. With the inclusion of the mortgage floor clause NPLs provisions and written-off loans would be 64.00% in Mar-17 and 53.92% in Mar-16, NPLs provisions would be 53.98% in Mar-17 and 40.20% in Mar-16, coverage with guarantees would be 103.30% in Mar-17 and 100.08% in Mar-16, NPA coverage ratio would be 46.55% in Mar-17 and 37.47% in Mar-16.

Main highlights

(Amounts in euro thousand)	31.03.16	31.03.17	Variation %
BUSINESS VOLUME			
Total assets managed	182,229,911	167,212,883	(8.2)
On-balance sheet total assets	161,995,367	147,114,451	(9.2)
Own funds	12,754,809	11,068,555	(13.2)
Customer deposits	86,772,152	84,163,766	(3.0)
Lending to customers (gross)	106,873,510	100,859,849	(5.6)
SOLVENCY			
CET 1 ratio (%)	12.81	10.02	
Tier 1 ratio (%)	12.81	10.87	
Total capital ratio (%)	13.50	11.91	
Phased-in Basel III Leverage ratio (%) ¹	5.97	4.51	
RISK MANAGEMENT			
Total risks	140,267,303	128,177,628	(8.6)
Non-performing loans	17,785,911	19,112,485	7.5
Allowances for credit losses	7,149,205	10,317,105	44.3
% non-performing ratio	12.68	14.91	
% coverage of non-performing loans and written-off loans*	52.40	62.00	
NPL Coverage Ratio ex written-offs (%)*	38.23	51.42	
% coverage with guarantees (%)*	98.57	101.29	
NPA Coverage ratio*	36.46	45.22	
EARNINGS			
Net interest income	551,460	499,595	(9.4)
Gross operating income	830,635	679,781	(18.2)
Profit before provisions	416,699	308,654	(25.9)
Profit before tax	124,245	(197,731)	<
Consolidated profit for the year	93,611	(137,117)	<
Net profit attributed to the Group	93,792	(137,050)	<
NET RETURN AND EFFICIENCY			
Average total assets	156,327,021	142,971,378	(8.5)
Average risk-weighted assets (RWA)	75,487,331	62,008,781	(17.9)
Average total equity	12,643,092	11,190,104	(11.5)
ROA (%)	0.24	(0.38)	
RORWA (%)	0.50	(0.88)	
ROTE (%)	4.29	(8.01)	
Operating efficiency (%)	45.61	48.72	
PER SHARE DATA			
Final number of shares fully diluted (thousands) ²	2,192,417	4,196,858	91.4
Average number of shares (thousands) ²	2,156,708	4,154,808	92.6
Adjusted share closing market price (€) ³	2.052	0.910	(55.6)
Market capitalization ⁴	5,014,058	3,819,141	(23.8)
Book value per share diluted (€)	5.82	2.64	(54.7)
Net earnings per share (€)	0.04	(0.03)	<
Price/Book value	0.39	0.35	
Price/Earnings	13.13	(6.90)	
OTHER DATA			
Employees	15,020	11,911	(20.7)
Spain:	13,449	10,634	(20.9)
Men	8,279	6,047	(27.0)
Women	5,170	4,587	(11.3)
Abroad:	1,571	1,277	(18.7)
Men	925	714	(22.8)
Women	646	563	(12.8)
Branches:	2,106	1,779	(15.5)
Spain	1,918	1,644	(14.3)
Abroad	188	135	(28.2)
ATMs	2,558	2,335	(8.7)

1. Phased-in Basel III Leverage Ratio CRR.

2. Calculated on average number of diluted shares.

3. Share price prior periods adjusted by rights issue effect.

4. Calculated on shares outstanding.

*The coverage ratio for NPLs and REOs does not include mortgage floor clause provisions. With the inclusion of the mortgage floor clause NPLs provisions and write-off loans would be 64.00% in Mar-17 and 53.92% in Mar-16, NPLs provisions would be 53.98% in Mar-17 and 40.20% in Mar-16, coverage with guarantees would be 103.30% in Mar-17 and 100.08% in Mar-16, NPA coverage ratio would be 46.55% in Mar-17 and 37.47% in Mar-16.

Salient aspects

Quarterly results reassuring the value of our franchise

- **Pre-provision profit reached 309 million €**, with a remarkable 19%¹ growth over the last quarter, mainly due to the income recovery and the delivery of the **cost reductions** envisaged when launching our restructuring plan last year
- The **specialised management of NPAs** is beginning to produce results, with a **€569m decrease** in NPLs and REOs in the quarter.
- **Commercial activity** continued to improve, showing positive trends in both lending and deposits and a quarter-on-quarter increase of 5bps in the customer spread. Popular maintained its **strength in SMEs**.

Nevertheless, the provisions of €496m (63% of them relating to the real estate business) have dragged the earnings for the quarter, although they made it possible to increase the coverage ratio and accelerate the divestment of NPAs.

1Q 2017 Results

The first quarter of 2017 ended with **losses of €137m** as a result of the increase in provisions for the real estate business. With a **pre-provision profit of €435m** and provisions of €185m, the **main business** earned **€180m**, while the real estate business recorded losses of €317m.

Net interest income shows a slight increase on the previous quarter if certain effects such as the lower number of days, the reclassification of NPAs and the synthetic securitisation issued in December 2016 are isolated.

Although the low levels of interest rates continue to have an adverse effect on the net interest income, due to the repricing effect, this has been offset by the lower costs of funding and by the increased profitability of the new business.

Fees and commissions performed well, increasing their contribution +4% in the quarter and consolidating the change in trend that began in the last quarter of 2016.

There was a substantial improvement in the **income from entities accounted for using the equity method**, which rose by €49m in the quarter, primarily due to the normalisation of the Targobank result after the non-recurring provisions booked in the last quarter of 2016.

After the last quarter's exercise to clean up the fixed income portfolio (€-107m), the **Trading Income** went back to making a positive contribution of €13m. Once again there was a positive contribution to the income statement for the quarter from the **other income**, even excluding the impact of the payment to the Deposit Guarantee Fund made in the previous quarter.

As a result of the foregoing, the **gross operating income** for the quarter was **up by 5.5%** quarter-on-quarter, excluding one-time events.

As expected, **general expenses** were **down by 10% year-on-year**, which took the **net operating income** for the quarter to **€309m**.

The **level of provisions in the quarter was high**; they were **concentrated on NPLs and the real estate business**, although provisions for REOs were also up on the same period of the previous year.

Commercial activity

Banco Popular's franchise in the SME segment continues to grow, with an improvement in new business that brought increases of 8% in credit accounts, loans and leasing. Popular's expertise in this segment and its specialised structure are what make it a leader, giving it an **SME market share of 17.7%** according to the latest information available.

¹ Pre provision profit in 4Q16 of €259M: Ex non-recurrent items (-€495M) and contribution to the DGF (-€59M)

Risk management

The **specialised management** is beginning to produce results. Here there was a clear change in trend from the previous quarter with a **decrease in NPAs of €569m**, comprised of €489m in NPLs and €80m in REOs. This change in trend was the result of a decrease in gross entries (-24% YoY), an increase in recoveries (+7% YoY) and a focus on NPL sales (€402m in 1Q17 vs €20m in 4Q16).

The specialised management of the real estate business started operating in January and therefore progressive improvement of NPAs is expected over the coming quarters.

Solvency

At the end of the quarter the CET1 Phased-in ratio was 10.02% and the total capital ratio was 11.91%.

Re-expression of 2016 accounts

On 3 April 2017 a Relevant Fact concerning the 2016 accounts was filed with the CNMV (Spanish Securities Market Commission). In summary, the impacts included in the notice^[1] (gross amounts, not including the tax effect) were as follows:

- 1) insufficiency of certain provisions regarding risks that must be covered by individual provisions, affecting the results for 2016 by an amount of 123 million euros;
- 2) possible insufficiency of provisions associated with NPLs in which the Bank has taken on the guarantee linked to these loans estimated at 160 million euros; mainly affecting reserves;
- 3) concerning the item 3) of the Material Event Notice filed with the CNMV, the impact of a possible insufficiency of provisions associated with a portfolio of NPLs by an amount of 145 million euros (net of provisions) in which the Bank could lose the guarantee linked to these loans is being analyzed. Total impact will be released in 2Q17;
- 4) other audit adjustments: 61 million euros, with an impact on the 2016 income statement;
- 5) financing to customers that might have been used to purchase shares under the capital increase carried out in May 2016, the amount of which should be deducted from the Bank's regulatory capital under current regulations, with no impact on either the income statement or the carrying net asset value. The estimated amount of this funding is 221 million euros.

Segmentation: Individual review of the allocation of customers to Real Estate Business

In mid-2016, separate reporting began of the main business and the real estate business, with the aim of identifying the contribution they each make to the income statement. This segregation of information was performed by identifying as belonging to the real estate business scope: REOs and credit risk whose sector of activity is associated with the real estate sector (development, construction, purchase/sale or rental of properties, accommodation) both in Spain and that of subsidiaries, as well as real estate shareholdings.

At the end of 2016, in order to undertake specialised management of the businesses and facilitate asset divestment and monetisation, the Bank set up the Real Estate and Asset Transformation Unit (NITA in Spanish) with a specialised network of 40 branch offices that began operating in the first quarter of 2017. An individualised review of customers was undertaken in order to ascertain which area (main business or real estate business) can better serve their product and financial service needs; customers requiring specialised management have been assigned to the specialised NITA network.

In order to adapt the reporting to the management, the **reporting scope of the real estate business has been adjusted to include the customers that are being managed by the specialised NITA network**. The changes in the figures reported previously are as follows:

Real Estate and Related Business	DEC16 Initial	DEC16 Restated	Main Business	DEC16 Initial	DEC16 Restated
Lending to customers (gross)	18,098	16,206	Lending to customers (gross)	79,497	81,389
Lending to customers	11,123	9,506	Lending to customers	76,214	77,831
Performing loans	5,789	3,751	Performing loans	72,444	74,482
Non performing loans (with guarantees)	12,471	12,455	Non performing loans (with guarantees)	7,131	7,147
Provisions	6,975	6,700	Provisions	3,573	3,848
Non performing ratio (Non-performing loans/Total risks) (%)	68,9%	76,9%	Non performing ratio (Non-performing loans/Total risks) (%)	6,1%	6,1%
Coverage of non-performing loans (%)	55,9%	53,8%	Coverage of non-performing loans (%)	42,9	46,7
Net interest Income	-117	-143	Net interest Income	2,214	2,240
Net operating income	-419	-435	Net operating income	1,217	1,233
Gains or losses before tax	-4,704	-4,898	Gains or losses before tax	-364	-170

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

* The coverage ratio for NPLs does not include mortgage floor clause provisions. With the inclusion of the mortgage floor clause NPLs provisions would be 50.1% in Dic-16 and 53.8% re-expressed

2. The final impacts could vary as a result of the review currently being carried out by the Popular Internal Audit Department.

Restated Consolidated Balance Sheet at 31.12.16

After taking into account the additional information on audited annual accounts published on 3 April 2017 in the form of a Material Event Notice filed with the CNMV (Spanish Securities Market Commission), the consolidated balance sheet at 2016 year end is as follows:

(Amounts in euro thousand)	31.12.16 Initial	Event Notice Impact 03.04.17	31.12.16 Re-expressed
ASSETS			
Cash and cash balances at central banks	3,278,808	-	3,278,808
Financial assets held for trading	2,103,849	-	2,103,849
Financial assets designated at fair value through profit or loss	553,790	-	553,790
Available-for-sale financial assets	15,384,097	-	15,384,097
Loans and receivables	99,104,146	(304,434)	98,799,712
Deposits at credit institutions	4,159,264	-	4,159,264
Of which interbank deposits	202,510	-	202,510
Loans and advances to other debtors	94,342,915	(304,434)	94,038,481
Fixed Income	601,967	-	601,967
Held-to-maturity investments	4,583,511	-	4,583,511
Derivatives - Hedge accounting	295,219	-	295,219
Fair value changes of the hedged items in portfolio hedge of interest rate risk	265,519	-	265,519
Investments in subsidiaries, joint ventures and associates	1,865,142	-	1,865,142
Assets under reinsurance and insurance contracts	17,543	-	17,543
Tangible assets	2,195,131	(2,338)	2,192,793
Intangible assets	2,612,566	-	2,612,566
Tax assets	5,082,845	103,074	5,185,919
Other assets	1,691,884	(271)	1,691,613
Non-current assets and disposal groups classified as held for sale	8,891,678	(35,959)	8,855,719
Total assets	147,925,728	(239,928)	147,685,800
LIABILITIES			
Financial liabilities held for trading	1,643,755	-	1,643,755
Financial liabilities designated at fair value through profit or loss	604,707	-	604,707
Financial liabilities measured at amortised cost	131,184,666	-	131,184,666
Liabilities of credit institutions	30,190,707	-	30,190,707
Of which interbank deposits	1,881,236	-	1,881,236
Deposits from other creditors	82,840,947	-	82,840,947
Debt certificates including bonds	15,024,126	-	15,024,126
Subordinated liabilities	2,039,472	-	2,039,472
Other financial liabilities	1,089,414	-	1,089,414
Derivatives - Hedge accounting	1,201,865	-	1,201,865
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-
Liabilities under insurance and reinsurance contracts	484,284	-	484,284
Provisions	534,306	580	534,886
Tax liabilities	397,348	-	397,348
Share capital repayable on demand	-	-	-
Other liabilities	787,184	-	787,184
Liabilities included in disposal groups classified as held for sale	-	-	-
Total liabilities	136,838,115	580	136,838,695
EQUITY			
Total equity	11,364,901	(240,508)	11,124,393
Capital, reserves and retained earnings	14,850,267	(114,558)	14,735,709
Profit attributed to the controlling company	(3,485,366)	(125,950)	(3,611,316)
Interim dividends (-)	-	-	-
Other comprehensive income and accumulated	(289,278)	-	(289,278)
Minority interests (non-controlling interests)	11,990	-	11,990
Net asset value	11,087,613	(240,508)	10,847,105
Total liabilities and equity	147,925,728	(239,928)	147,685,800

* The amounts included in the column 'Event Notice Impact 03.04.2017' reflect the impact on the Balance Sheet. The impact affecting reserves sum up 163.6 million euros, 114.6 million euros net of tax, possible insufficiency of provisions associated with NPLs in which the Bank has taken on the guarantee linked to these loans before 01.01.2016.

Consolidated Income Statement re-expressed at 31.12.16

After taking into account the additional information on audited annual accounts published on 3 April 2017 in the form of a Material Event Notice filed with the CNMV (Spanish Securities Market Commission), the consolidated income at 2016 year end is as follows:

(Amounts in euro thousand)	31.12.16	Event Notice	31.12.16
	Initial	Impact 03.04.17	Re-expressed
Interest and similar income	2,929,747	-	2,929,747
- Interest expense and similar charges	833,159	-	833,159
- (Expenses on share capital repayable on demand)	-	-	-
=Net interest income	2,096,588	-	2,096,588
+ Dividend income	10,731	-	10,731
+Share of results of entities accounted for using the equity method	59,895	-	59,895
+Fees and commissions	538,671	-	538,671
±Gains or losses on financial assets and liabilities (net)	200,728	-	200,728
+Exchange differences (net)	41,950	-	41,950
±Other operating results	138,499	-	138,499
- Other operating expenses	260,385	-	260,385
+ Assets under reinsurance and insurance contracts income	33,501	-	33,501
- Assets under reinsurance and insurance contracts expenses	34,426	-	34,426
=Gross operating income	2,825,752	-	2,825,752
- Administrative expenses:	1,887,256	-	1,887,256
Personnel expenses	1,237,465	-	1,237,465
Other general administrative expenses	649,791	-	649,791
- Depreciation & amortisation	140,695	-	140,695
=Net operating income	797,801	-	797,801
- Financial asset impairment and provisioning	193,224	580	193,804
- Impairment of other assets	3,863,618	140,780	4,004,398
=Net operating income	(3,259,041)	(141,360)	(3,400,401)
- Impairment or (-) reversal of impairment on investments in joint ventures and associates	-	-	-
- Impairment or (-) reversal of impairment on non-financial assets	381,404	2,609	384,013
+ Gains or (-) losses on derecognition of non financial assets, net	70,341	-	70,341
+ Negative goodwill recognised in profit or loss	-	-	-
+ Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(1,318,378)	(35,959)	(1,354,337)
=Profit before tax	(4,888,482)	(179,928)	(5,068,410)
-Income tax	(1,403,121)	(53,978)	(1,457,099)
+Gains/losses on discontinued operations (net)	-	-	-
=Consolidated profit for the year	(3,485,361)	(125,950)	(3,611,311)
- Profit attributed to minority interests	5	-	5
=Profit attributed to the controlling company	(3,485,366)	(125,950)	(3,611,316)

* The amounts included in the column 'Event Notice Impact 03.04.2017' are provisions of 123 million euros, other audit adjustments of 61 million euros and a positive adjustments in guarantee of 3.6 million euros.

Consolidated income and profitability

	(Amounts in euro thousand)			(% of ATA)		
	31.03.16	31.03.17	Variation %	31.03.16	31.03.17	Variation %
Interest and similar income	779,208	671,822	(13.8)	1.96	1.78	(0.18)
- Interest expense and similar charges	227,748	172,227	(24.4)	0.55	0.38	(0.17)
=Net interest income	551,460	499,595	(9.4)	1.41	1.40	(0.01)
+ Dividend income	705	813	15.3	0.00	0.00	0.00
+Share of results of entities accounted for using the equity method	24,319	19,664	(19.1)	0.06	0.06	(0.01)
+Fees and commissions	141,133	139,977	(0.8)	0.36	0.39	0.03
±Gains or losses on financial assets and liabilities (net)	98,899	13,086	(86.8)	0.25	0.04	(0.22)
+Exchange differences (net)	7,711	9,786	26.9	0.03	0.01	(0.02)
±Other operating results	37,414	37,686	0.7	0.10	0.11	0.01
- Other operating expenses	30,629	39,669	29.5	0.08	0.11	0.03
+ Assets under reinsurance and insurance contracts income	6,696	5,659	(15.5)	0.02	0.02	(0.00)
- Assets under reinsurance and insurance contracts expenses	7,073	6,816	(3.6)	0.02	0.02	0.00
=Gross operating income	830,635	679,781	(18.2)	2.13	1.90	(0.22)
- Administrative expenses:	378,837	331,177	(12.6)	0.97	0.93	(0.04)
Personnel expenses	225,798	179,873	(20.3)	0.58	0.50	(0.07)
Other general administrative expenses	153,039	151,304	(1.1)	0.39	0.43	0.04
- Depreciation & amortisation	35,099	39,950	13.8	0.09	0.11	0.02
=Net operating income	416,699	308,654	(25.9)	1.07	0.86	(0.20)
- Financial asset impairment and provisioning	(2,425)	(34,495)	<	(0.01)	(0.10)	(0.09)
- Impairment of other assets	205,334	394,916	92.3	0.53	1.10	0.58
=Net operating income	213,790	(51,767)	<	0.55	(0.14)	(0.69)
- Impairment or (-) reversal of impairment on non-financial assets	(23,618)	13,167	<	(0.06)	0.04	0.10
+ Gains or (-) losses on derecognition of non financial assets, net	10,711	2,656	(75.2)	0.03	0.01	(0.02)
+ Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(123,874)	(135,453)	(9.3)	(0.32)	(0.38)	(0.06)
=Profit before tax	124,245	(197,731)	<	0.32	(0.55)	(0.87)
-Income tax	30,634	(60,614)	<	0.08	(0.17)	(0.25)
=Consolidated profit for the year	93,611	(137,117)	<	0.24	(0.38)	(0.62)
- Profit attributed to minority interests	(181)	(67)	63.0	(0.00)	(0.00)	0.00
=Profit attributed to the controlling company	93,792	(137,050)	<	0.24	(0.38)	(0.62)
Net return on risk-weighted assets (RORWA) (%)				0.50	(0.88)	(1.38)
Operating efficiency ratio (%)				45.61	48.72	3.11
In € million						
Average total assets				156,327	142,971	(13,356)
Average risk-weighted assets (RWA)				75,487	62,009	(13,479)
Average equity				12,643	11,190	(1,453)

Quarterly Consolidated Income

(Amounts in euro thousand)	2016				2017
	1Q16	2Q16	3Q16	4Q16*	1Q17
Interest and similar income	779,208	749,730	701,238	699,571	671,822
- Interest expense and similar charges	227,748	221,113	201,369	182,929	172,227
=Net interest income	551,460	528,617	499,869	516,642	499,595
+Return on equity instruments	705	5,251	2,164	2,611	813
+Share of results of entities accounted for using the equity method	24,319	41,390	23,652	(29,466)	19,664
+Fees and commissions, net	141,133	135,571	127,451	134,516	139,977
±Gains or losses on financial assets and liabilities (net)	98,899	93,157	102,726	(94,054)	13,086
+Exchange differences (net)	7,711	11,899	8,579	13,761	9,786
±Other operating results	37,414	31,441	28,891	40,753	37,686
±Other operating expenses	30,629	87,890	35,566	106,300	39,669
+ Assets under reinsurance and insurance contracts income	6,696	6,574	13,192	7,039	5,659
- Assets under reinsurance and insurance contracts expenses	7,073	6,789	13,286	7,278	6,816
=Gross operating income	830,635	759,221	757,672	478,224	679,781
- Administrative expenses:	378,837	386,368	384,433	737,618	331,177
Personnel expenses	225,798	233,040	220,943	557,684	179,873
Other general administrative expenses	153,039	153,328	163,490	179,934	151,304
- Depreciation & amortisation	35,099	34,997	35,216	35,383	39,950
=Net operating income	416,699	337,856	338,023	(294,777)	308,654
- Financial asset impairment and provisioning	(2,425)	(547)	27,090	169,686	(34,495)
- Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	205,334	314,692	269,588	3,214,784	394,916
=Net operating income	213,790	23,711	41,345	(3,679,247)	(51,767)
- Impairment or (-) reversal of impairment on non-financial assets	(23,618)	21,617	(28,159)	414,173	13,167
+ Gains or (-) losses on derecognition of non financial assets, net	10,711	68,654	(1,532)	(7,492)	2,656
+ Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(123,874)	(86,678)	(77,499)	(1,066,286)	(135,453)
=Profit before tax	124,245	(15,930)	(9,527)	(5,167,198)	(197,731)
-Income tax	30,634	(15,893)	(10,509)	(1,461,331)	(60,614)
=Consolidated profit for the year	93,611	(37)	982	(3,705,867)	(137,117)
- Profit attributed to minority interests	(181)	(159)	566	(221)	(67)
=Profit attributed to the controlling company	93,792	122	416	(3,705,646)	(137,050)

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

Quarterly Profitability

	2016				2017
	1Q16	2Q16	3Q16	4Q16*	1Q17
Interest and similar income	1.96	1.88	1.75	1.78	1.78
- Interest expense and similar charges	0.55	0.53	0.46	0.41	0.38
=Net interest income	1.41	1.35	1.29	1.37	1.40
+Return on equity instruments	-	0.01	0.01	0.01	-
+Share of results of entities accounted for using the equity method	0.06	0.11	0.06	(0.08)	0.06
+Fees and commissions, net	0.36	0.35	0.33	0.36	0.39
±Gains or losses on financial assets and liabilities (net)	0.25	0.24	0.26	(0.25)	0.04
+Exchange differences (net)	0.03	0.02	0.02	0.03	0.01
±Other operating results	0.10	0.08	0.07	0.11	0.11
±Other operating expenses	0.08	0.22	0.09	0.28	0.11
+ Assets under reinsurance and insurance contracts income	0.02	0.02	0.03	0.02	0.02
- Assets under reinsurance and insurance contracts expenses	0.02	0.02	0.03	0.02	0.02
=Gross operating income	2.13	1.94	1.95	1.27	1.90
- Administrative expenses:	0.97	0.99	0.99	1.95	0.93
Personnel expenses	0.58	0.60	0.57	1.48	0.50
Other general administrative expenses	0.39	0.39	0.42	0.47	0.43
- Depreciation & amortisation	0.09	0.09	0.09	0.10	0.11
=Net operating income	1.07	0.86	0.87	(0.78)	0.86
- Financial asset impairment and provisioning	(0.01)	(0.00)	0.07	0.45	(0.10)
- Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss	0.53	0.80	0.69	8.51	1.10
=Net operating income	0.55	0.06	0.11	(9.74)	(0.14)
- Impairment or (-) reversal of impairment on non-financial assets	(0.06)	0.06	(0.07)	1.10	0.04
+ Gains or (-) losses on derecognition of non financial assets, net	0.03	0.18	-	(0.02)	0.01
+ Profit or (-) loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(0.32)	(0.22)	(0.20)	(2.82)	(0.38)
=Profit before tax	0.32	(0.04)	(0.02)	(13.68)	(0.55)
-Income tax	0.08	(0.04)	(0.02)	(3.87)	(0.17)
=Consolidated profit for the year	0.24	(0.00)	0.00	(9.81)	(0.38)
- Profit attributed to minority interests	-	-	-	-	-
=Profit attributed to the controlling company	0.24	0.00	0.00	(9.81)	(0.38)
Net return on risk-weighted assets (RORWA) (%)	0.50	0.00	0.00	(21.48)	(0.88)
Operating efficiency ratio (%)	45.61	50.89	50.74	154.24	48.72
In € million					
Average total assets	156,327	156,616	155,250	151,054	142,971
Average risk-weighted assets (RWA)	75,487	75,630	75,634	69,014	62,009
Average equity	12,643	13,022	14,939	14,856	11,190

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

Yields and Costs

(Amounts in euro thousand)	31.03.16				31.03.17			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	6,813,576	4.36	1,344	0.08	6,351,446	4.44	(2,156)	(0.14)
Loans and discounts (a)	96,093,226	61.47	676,011	2.81	88,721,520	62.06	560,277	2.53
Securities portfolio	29,214,789	18.69	89,339	1.22	21,099,377	14.76	77,021	1.46
Other earning assets	183,436	0.12	1,145	2.50	181,535	0.13	475	1.05
TOTAL EARNING ASSETS (b)	132,305,027	84.64	767,839	2.32	116,353,879	81.39	635,617	2.19
Other assets	24,021,994	45.36	-	-	26,617,499	18.61	-	-
TOTAL ASSETS	156,327,021	100.00	767,839	1.96	142,971,378	100.00	635,617	1.78
Financial system	31,707,302	20.28	30,111	0.38	29,869,604	20.89	(5,054)	(0.07)
Customer funds (c)	88,596,482	56.67	85,075	0.38	79,156,411	55.37	59,482	0.30
Demand and savings accounts	41,653,978	26.65	12,434	0.12	39,994,484	27.97	6,368	0.06
Time deposits	41,909,009	26.80	73,737	0.70	36,766,808	25.72	55,335	0.60
Repos	5,033,495	3.22	(1,096)	(0.09)	2,395,119	1.68	(2,221)	(0.37)
Marketable debt securities & other	17,979,917	11.50	98,219	2.19	16,420,267	11.49	74,830	1.82
Other interest-bearing liabilities	273,097	0.17	2,974	4.36	260,482	0.18	6,764	10.39
TOTAL INTEREST-BEARING FUNDS (d)	138,556,798	88.62	216,379	0.62	125,706,764	87.93	136,022	0.43
Other funds	5,127,131	3.29	-	-	6,074,510	4.24	-	-
Equity	12,643,092	8.09	-	-	11,190,104	7.83	-	-
TOTAL FUNDS	156,327,021	100.00	216,379	0.55	142,971,378	100.00	136,022	0.38
<i>Customer spread (a-c)</i>				2.43				2.23
<i>Spread (b-d)</i>				1.70				1.76
<i>Net interest income</i>				1.41				1.40

Note: Under accounting regulations, income and expenses arising from the application of negative rates are booked according to their nature. For the calculation of rates, regardless of the nature of the income or expense, the returns are allocated to the relevant set of assets and liabilities.

Quarterly Yields & Costs

(In %)	2016								2017	
	1Q16		2Q16		3Q16		4Q16*		1Q17	
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate
Financial system	4.36	0.08	4.52	0.02	4.42	(0.38)	4.19	(0.27)	4.44	(0.14)
Loans and discounts (a)	61.47	2.81	61.00	2.74	61.97	2.52	63.48	2.50	62.06	2.53
Securities portfolio	18.69	1.22	18.81	1.06	17.34	1.18	14.94	1.29	14.76	1.46
Other earning assets	0.12	2.50	0.12	3.79	0.12	1.54	0.12	3.94	0.13	1.05
TOTAL EARNING ASSETS (b)	84.64	2.32	84.45	2.22	83.85	2.09	82.73	2.15	81.39	2.19
Other assets	15.36	-	15.55	-	16.15	-	17.27	-	18.61	-
TOTAL ASSETS	100.00	1.96	100.00	1.88	100.00	1.75	100.00	1.78	100.00	1.78
Financial system	20.28	0.38	20.10	0.31	19.07	0.17	18.04	0.03	20.89	(0.07)
Customer funds (c)	56.67	0.38	55.94	0.37	55.05	0.34	56.18	0.32	55.37	0.30
Demand and savings accounts	26.65	0.12	27.46	0.11	27.81	0.09	28.60	0.08	27.97	0.06
Time deposits	26.80	0.70	26.57	0.68	25.97	0.65	25.89	0.65	25.72	0.60
Repos	3.22	(0.09)	1.91	(0.31)	1.27	(0.44)	1.69	(0.52)	1.68	(0.37)
Marketable debt securities & other	11.50	2.19	12.16	2.11	12.23	1.99	11.40	1.92	11.49	1.82
Other interest-bearing liabilities	0.17	4.36	0.17	2.02	0.18	1.89	0.19	1.70	0.18	10.39
TOTAL INTEREST-BEARING FUNDS (d)	88.62	0.62	88.37	0.60	86.53	0.54	85.81	0.48	87.93	0.43
Other funds	3.29	-	3.32	-	3.85	-	4.36	-	4.24	-
Equity	8.09	-	8.31	-	9.62	-	9.83	-	7.83	-
TOTAL FUNDS	100.00	0.55	100.00	0.53	100.00	0.46	100.00	0.41	100.00	0.38
<i>Customer spread (a-c)</i>		2.43		2.37		2.18		2.18		2.23
<i>Spread (b-d)</i>		1.70		1.62		1.55		1.67		1.76
<i>Net interest income</i>		1.41		1.35		1.29		1.37		1.40

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Net Fee and Commission Income

(Amounts in euro thousand)	31.03.16	31.03.17	Variation %	Distribution %	
				31.03.16	31.03.17
Portfolio administration	25,525	24,797	(2.9)	18.1	17.7
Securities portfolios	2,260	2,413	6.8	1.6	1.7
Asset portfolio management	1,277	1,547	21.1	0.9	1.1
Mutual funds	20,185	18,840	(6.7)	14.3	13.5
Pension plans	1,803	1,997	10.8	1.3	1.4
Other banking services	115,608	115,180	(0.4)	81.9	82.3
Securities and foreign currency purchase and sale	1,922	1,215	(36.8)	1.4	0.9
Demand account administration	29,671	26,718	(10.0)	21.0	19.1
Provision of collateral and other guarantees	30,463	28,359	(6.9)	21.6	20.3
Asset transaction services	23,925	23,899	(0.1)	17.0	17.1
Collection and payment handling	16,269	16,657	2.4	11.5	11.9
Other	13,358	18,332	37.2	9.5	13.1
Insurance sales fees	8,629	8,927	3.5	6.1	6.4
Advisory on singular transactions	1,534	6,301	>	1.1	4.5
Other	3,195	3,104	(2.8)	2.3	2.2
Total	141,133	139,977	(0.8)	100.0	100.0

(Amounts in euro thousand)	1Q16	2Q16	3Q16	4Q16	1Q17
Portfolio administration	25,525	24,593	24,893	24,641	24,797
Securities portfolios	2,260	2,369	2,564	2,215	2,413
Asset portfolio management	1,277	1,188	1,789	1,896	1,547
Mutual funds	20,185	19,006	18,501	18,476	18,840
Pension plans	1,803	2,030	2,039	2,054	1,997
Other banking services	115,608	110,978	102,558	109,875	115,180
Securities and foreign currency purchase and sale	1,922	730	599	977	1,215
Demand account administration	29,671	28,217	26,042	26,411	26,718
Provision of collateral and other guarantees	30,463	30,254	31,673	31,239	28,359
Asset transaction services	23,925	23,082	21,025	22,752	23,899
Collection and payment handling	16,269	15,992	13,666	13,931	16,657
Other	13,358	12,703	9,553	14,565	18,332
Insurance sales fees	8,629	7,380	6,461	7,893	8,927
Advisory on singular transactions	1,534	1,890	1,499	2,791	6,301
Other	3,195	3,433	1,593	3,881	3,104
Total	141,133	135,571	127,451	134,516	139,977

Personnel and general expenses

(Amounts in euro thousand)	Distribution %				
	31.03.16	31.03.17	Variation %	31.03.16	31.03.17
Personnel expenses:	225,798	179,873	(20.3)	59.6	54.3
Wages and salaries	165,296	129,879	(21.4)	43.6	39.2
Social security charges	45,191	37,029	(18.1)	11.9	11.2
Other personnel expenses	7,041	7,700	9.4	1.9	2.3
Pensions	8,270	5,265	(36.3)	2.2	1.6
General expenses:	153,039	151,304	(1.1)	40.4	45.7
Rents and common services	35,345	31,293	(11.5)	9.3	9.4
Communications	6,467	4,238	(34.5)	1.7	1.3
Maintenance of premises and equipment	13,965	16,101	15.3	3.7	4.9
IT and outsourced services	35,575	30,337	(14.7)	9.4	9.2
Stationery and office supplies	1,623	1,321	(18.6)	0.4	0.4
Technical reports and legal expenses	12,381	22,221	79.5	3.3	6.7
Advertising and publicity	3,806	2,908	(23.6)	1.0	0.9
Insurance	1,210	1,494	23.5	0.3	0.5
Security and fund transport services	4,163	3,978	(4.4)	1.1	1.2
Travel	2,319	2,209	(4.7)	0.6	0.7
VAT and other	27,254	24,014	(11.9)	7.2	7.3
Other general expenses	8,931	11,190	25.3	2.4	3.4
Total	378,837	331,177	(12.6)	100.0	100.0

(Amounts in euro thousand)	1Q16	2Q16	3Q16	4Q16	1Q17
Personnel expenses:	225,798	233,040	220,943	557,684	179,873
Wages and salaries	165,296	169,512	158,753	172,496	129,879
Social security charges	45,191	45,453	48,267	44,845	37,029
Other personnel expenses	7,041	9,552	5,393	331,515	7,700
Pensions	8,270	8,523	8,530	8,828	5,265
General expenses:	153,039	153,328	163,490	179,934	151,304
Rents and common services	35,345	35,812	36,228	32,814	31,293
Communications	6,467	7,065	6,851	7,303	4,238
Maintenance of premises and equipment	13,965	13,555	16,151	23,120	16,101
IT and outsourced services	35,575	28,735	31,525	38,193	30,337
Stationery and office supplies	1,623	1,483	1,615	1,745	1,321
Technical reports and legal expenses	12,381	14,980	15,552	15,265	22,221
Advertising and publicity	3,806	4,472	4,630	4,590	2,908
Insurance	1,210	1,472	1,343	803	1,494
Security and fund transport services	4,163	4,764	4,416	4,488	3,978
Travel	2,319	2,662	1,989	3,048	2,209
VAT and other	27,254	26,123	34,653	42,491	24,014
Other general expenses	8,931	12,205	8,537	6,074	11,190
Total	378,837	386,368	384,433	737,618	331,177

Balance

(Amounts in euro thousand)	31.03.16	31.12.16*	31.03.17	Variation %	
				3 months	12 months
ASSETS					
Cash and cash balances at central banks	3,084,525	3,278,808	6,177,314	88.4	>
Financial assets held for trading	1,546,049	2,103,849	2,258,941	7.4	46.1
Financial assets designated at fair value through profit or loss	542,776	553,790	586,033	5.8	8.0
Available-for-sale financial assets	29,088,005	15,384,097	13,219,484	(14.1)	(54.6)
Loans and receivables	106,219,873	98,799,712	94,479,733	(4.4)	(11.1)
Deposits at credit institutions	5,050,009	4,159,264	3,213,165	(22.7)	(36.4)
Of which interbank deposits	527,742	202,510	228,840	13.0	(56.6)
Loans and advances to other debtors	99,983,231	94,038,481	90,723,198	(3.5)	(9.3)
Fixed Income	1,186,633	601,967	543,370	(9.7)	(54.2)
Held-to-maturity investments	-	4,583,511	7,360,242	60.6	-
Derivatives - Hedge accounting	371,753	295,219	248,079	(16.0)	(33.3)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	303,953	265,519	260,168	(2.0)	(14.4)
Investments in subsidiaries, joint ventures and associates	1,949,575	1,865,142	1,908,364	2.3	(2.1)
Assets under reinsurance and insurance contracts	18,771	17,543	17,707	0.9	(5.7)
Tangible assets	1,654,213	2,192,793	2,228,600	1.6	34.7
Intangible assets	2,570,337	2,612,566	2,610,689	(0.1)	1.6
Tax assets	3,738,180	5,185,919	5,198,770	0.2	39.1
Other assets	1,587,582	1,691,613	1,780,098	5.2	12.1
Non-current assets and disposal groups classified as held for sale	9,319,775	8,855,719	8,780,229	(0.9)	(5.8)
Total assets	161,995,367	147,685,800	147,114,451	(0.4)	(9.2)
LIABILITIES					
Financial liabilities held for trading	1,310,764	1,643,755	1,553,030	(5.5)	18.5
Financial liabilities designated at fair value through profit or loss	586,140	604,707	609,730	0.8	4.0
Financial liabilities measured at amortised cost	143,157,475	131,184,666	131,198,929	0.0	(8.4)
Liabilities of credit institutions	34,655,345	30,190,707	35,904,196	18.9	3.6
Of which interbank deposits	1,704,431	1,881,236	2,302,042	22.4	35.1
Deposits from other creditors	88,904,161	82,840,947	78,884,692	(4.8)	(11.3)
Debt certificates including bonds	16,821,112	15,024,126	13,120,932	(12.7)	(22.0)
Subordinated liabilities	2,060,897	2,039,472	2,031,114	(0.4)	(1.4)
Other financial liabilities	715,960	1,089,414	1,257,995	15.5	75.7
Derivatives - Hedge accounting	2,480,423	1,201,865	1,045,838	(13.0)	(57.8)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-
Liabilities under insurance and reinsurance contracts	500,514	484,284	469,937	(3.0)	(6.1)
Provisions	372,899	534,886	448,507	(16.1)	20.3
Tax liabilities	624,898	397,348	400,131	0.7	(36.0)
Share capital repayable on demand	-	-	-	-	-
Other liabilities	539,070	787,184	611,748	(22.3)	13.5
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-
Total liabilities	149,572,183	136,838,695	136,337,850	(0.4)	(8.8)
EQUITY					
Total equity	12,754,809	11,124,393	11,068,555	(0.5)	(13.2)
Capital, reserves and retained earnings	12,661,017	14,735,709	11,205,605	(24.0)	(11.5)
Profit attributed to the controlling company	93,792	(3,611,316)	(137,050)	96.2	<
Interim dividends (-)	-	-	-	-	-
Other comprehensive income and accumulated	(347,808)	(289,278)	(303,750)	(5.0)	12.7
Minority interests (non-controlling interests)	16,183	11,990	11,796	(1.6)	(27.1)
Net asset value	12,423,184	10,847,105	10,776,601	(0.6)	(13.3)
Total liabilities and equity	161,995,367	147,685,800	147,114,451	(0.4)	(9.2)

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Commercial GAP

(Amounts in euro thousand)	31.03.16	31.12.16*	31.03.17	Variation %	
				3 months	12 months
Lending to customers	99,983,231	94,038,481	90,723,198	(3.5)	(9.3)
Asset repos (valuation adjustments included)	6,876,710	6,701,640	4,944,349	(26.2)	(28.1)
Total net lending to customers (ex asset repos) (a)	93,106,521	87,336,841	85,778,849	(1.8)	(7.9)
Current accounts	37,743,828	39,794,472	40,207,200	1.0	6.5
Term deposits	41,941,891	38,079,083	36,907,519	(3.1)	(12.0)
Valuation adjustments	110,514	122,872	103,192	(16.0)	(6.6)
Subtotal customer deposits (ex repos, ex-Treasury)	79,796,233	77,996,427	77,217,911	(1.0)	(3.2)
Retail Commercial paper	121,951	271,728	231,233	(14.9)	89.6
Mediation loans ¹	5,949,954	5,458,505	5,605,811	2.7	(5.8)
Securitizations sold to third parties	59,435	50,824	47,989	(5.6)	(19.3)
Marketable securities distributed through the branch network ²	467,662	454,589	449,955	(1.0)	(3.8)
Tax collection accounts	376,917	409,456	610,868	49.2	62.1
Total customer deposits (b)	86,772,152	84,641,529	84,163,766	(0.6)	(3.0)
GAP (a-b)	6,334,369	2,695,312	1,615,083	(40.1)	(74.5)
LTD (a/b)	107.3%	103.2%	101.9%	(1.2)	(5.4)

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1. ICO and EIB funding received directly for loans to companies.

2. Including subordinated debt distributed via the branch network.

Evolution Customers Deposits

(Datos en miles de euros)	31.03.16	31.12.16	31.03.17	Variation %	
				3 months	12 months
Customers Deposits (accounting criteria)	88,904,161	82,840,947	78,884,692	(4.8)	(11.3)
- Repos and Treasury	4,909,832	793,412	416,320	(47.5)	(91.5)
- Deposits at central counterparty entities	4,198,096	4,051,108	1,250,461	(69.1)	(70.2)
- Accrual adjustments (+/-)	110,514	122,872	103,192	(16.0)	(6.6)
+ Commercial paper	121,951	271,728	231,233	(14.9)	89.6
Total customer deposits (management criteria)	79,807,670	78,145,283	77,345,952	(1.0)	(3.1)

Funds Managed

(Amounts in euro thousand)	31.03.16	31.12.16	31.03.17	Variation %	
				3 months	12 months
Customer deposits:					
General government	10,333,097	6,168,921	6,343,598	2.8	(38.6)
Other private sectors:	74,262,454	72,498,046	71,187,441	(1.8)	(4.1)
Residents	65,377,768	63,480,589	62,577,363	(1.4)	(4.3)
Nonresidents	8,884,686	9,017,457	8,610,078	(4.5)	(3.1)
Valuation adjustments (±)	110,514	122,872	103,192	(16.0)	(6.6)
Subtotal customer deposits and General Government	84,706,065	78,789,839	77,634,231	(1.5)	(8.3)
Deposits at central counterparty entities	4,198,096	4,051,108	1,250,461	(69.1)	(70.2)
Total customer deposits	88,904,161	82,840,947	78,884,692	(4.8)	(11.3)
Unadjusted debt certificates including bonds:	16,639,757	14,919,835	13,081,874	(12.3)	(21.4)
Bonds and other securities outstanding	16,251,198	14,094,885	12,539,598	(11.0)	(22.8)
Commercial paper	388,559	824,950	542,276	(34.3)	39.6
Valuation adjustments (±)	181,355	104,291	39,058	(62.5)	(78.5)
Total debt certificates including bonds	16,821,112	15,024,126	13,120,932	(12.7)	(22.0)
Subordinated liabilities	2,060,897	2,039,472	2,031,114	(0.4)	(1.4)
Total on-balance sheet funds (a)	107,786,170	99,904,545	94,036,738	(5.9)	(12.8)
Mutual funds	11,032,457	10,948,963	10,832,817	(1.1)	(1.8)
Asset portfolio management	1,698,875	1,639,617	1,641,711	0.1	(3.4)
Pension funds	5,189,253	5,150,871	5,087,816	(1.2)	(2.0)
Insurance premium	2,313,959	2,385,540	2,536,088	6.3	9.6
Total other intermediated funds (b)	20,234,544	20,124,991	20,098,432	(0.1)	(0.7)
Total funds managed (a+b)	128,020,714	120,029,536	114,135,170	(4.9)	(10.8)

Retail Funds

(Amounts in euro thousand)	31.03.16	31.12.16	31.03.17	Variation %	
				3 months	12 months
Demand deposits (ex-Treasury) and Other accounts	37,743,828	39,794,472	40,207,200	1.0	6.5
Time deposits	41,941,891	38,079,083	36,907,519	(3.1)	(12.0)
Asset repos	463,869	296,412	416,320	40.5	(10.3)
Other accounts and valuation adjustments	110,514	122,872	103,192	(16.0)	(6.6)
Subtotal customer deposits and General Government (ex-Treasury)	80,260,102	78,292,839	77,634,231	(0.8)	(3.3)
Retail Commercial paper	121,951	271,728	231,233	(14.9)	89.6
ICO Mediation loans ¹	5,949,954	5,458,505	5,605,811	2.7	(5.8)
Securitized sold to third parties	59,435	50,824	47,989	(5.6)	(19.3)
Marketable securities distributed through the branch network ²	467,662	454,589	449,955	(1.0)	(3.8)
Tax collection accounts	376,917	409,456	610,868	49.2	62.1
Asset repos	(463,869)	(296,412)	(416,320)	(40.5)	10.3
Total Retail Funds	86,772,152	84,641,529	84,163,766	(0.6)	(3.0)

1. ICO and EIB funding received directly for loans to companies

2. Includes subordinated debt distributed through the commercial network

Debt Maturity

(Dates in thousands € and %)	1Q17		2017		2018		2019		2020	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Maturities										
Covered Bonds	1,000	3.8%	2,850	3.3%	1,350	3.4%	1,888	2.1%	1,490	0.9%
Senior Unsecured	580	2.4%	580	2.4%	62	0.2%	-	0.0%	521	2.0%
Subordinated	-	-	-	-	-	-	99	0	92	0
TOTAL	1,580	3.3%	3,430	3.2%	1,412	3.3%	1,987	2.2%	2,102	1.4%

Lending to customers

(Amounts in euro thousand)	31.03.16	31.12.16*	31.03.17	Variation %	
				3 months	12 months
Lending to general government	5,438,774	4,820,339	4,702,749	(2.4)	(13.5)
Lending to other private sectors:	101,206,789	99,246,316	95,939,475	(3.3)	(5.2)
Residents	89,877,696	87,605,926	84,437,095	(3.6)	(6.1)
NonResidents	11,329,093	11,640,390	11,502,380	(1.2)	1.5
Total lending to customers	106,645,563	104,066,655	100,642,224	(3.3)	(5.6)
Other loans	227,947	230,063	217,625	(5.4)	(4.5)
Total credit to customers	106,873,510	104,296,718	100,859,849	(3.3)	(5.6)
Valuation adjustments (±)	(6,890,279)	(10,258,237)	(10,136,651)	1.2	(47.1)
Total	99,983,231	94,038,481	90,723,198	(3.5)	(9.3)

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

Lending to customers by type

(Amounts in euro thousand)	31.03.16	31.12.16	31.03.17	Variation %	
				3 months	12 months
Trade loans and discounts	4,079,632	4,175,345	4,065,893	(2.6)	(0.3)
Secured loans	38,427,021	35,664,946	35,294,254	(1.0)	(8.2)
Mortgage	37,505,300	34,750,814	34,395,383	(1.0)	(8.3)
Other	921,721	914,132	898,871	(1.7)	(2.5)
Repos	6,877,502	6,701,640	4,944,349	(26.2)	(28.1)
Term loans and other lending	37,664,261	36,219,963	35,527,895	(1.9)	(5.7)
Leasing	2,222,501	2,172,968	2,158,242	(0.7)	(2.9)
Doubtful assets	17,602,593	19,361,856	18,869,216	(2.5)	7.2
Total lending to customers	106,873,510	104,296,718	100,859,849	(3.3)	(5.6)

Gross loans (ex-repos) exposure by segment evolution^a

(Amounts in euro thousand)	31.03.16	31.12.16	31.03.17	Variation %	
				3 months	12 months
Real estate development and/or construction purposes	15,568,427	13,280,119	12,926,927	(2.7)	(17.0)
Construction purposes not related to real estate development	1,789,522	1,582,444	1,612,165	1.9	(9.9)
Large companies	11,639,762	10,318,798	9,801,760	(5.0)	(15.8)
SMEs and self-employed	32,018,559	33,735,631	33,550,700	(0.5)	4.8
Individuals with mortgage guarantee	22,644,235	21,886,787	21,723,778	(0.7)	(4.1)
Individuals with other guarantee	43,319	156,922	155,212	(1.1)	>
Other Individuals	2,021,970	2,368,255	2,352,773	(0.7)	16.4
Rest (Foreign banks & public administration)	14,270,214	14,266,121	13,792,184	(3.3)	(3.3)
Total gross loans group (Ex-repos)	99,996,008	97,595,078	95,915,500	(1.7)	(4.1)

(a) This table shows the categorization by the purpose of the contract, not by the typology of the client, so only are shown in the category of SMEs and Self Employed the contracts that have an defined professional purpose.

Risk Management

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
NON-PERFORMING LOANS				
Balance at 1 January	18,339,525	19,601,578	1,262,053	6.9
Additions	911,800	692,684	(219,116)	(24.0)
Recoveries	933,603	996,188	62,585	6.7
Net variation	(21,803)	(303,504)	(281,701)	<
% increase	(0.1)	(1.5)		
Written-offs	(531,811)	(185,589)	346,222	65.1
Balance at 31 March	17,785,911	19,112,485	1,326,574	7.5

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
CREDIT LOSS ALLOWANCES				
Balance at 1 January*	7,793,422	10,548,102	2,754,680	35.3
Annual provision:				
Gross	776,646	1,298,387	521,741	67.2
Recoveries	(588,471)	(968,192)	(379,721)	(64.5)
Net	188,175	330,195	142,020	75.5
Other variations	(324,207)	(409,423)	(85,216)	(26.3)
Written-offs	(508,185)	(151,769)	356,416	70.1
Balance at 31 March	7,149,205	10,317,105	3,167,900	44.3
Of which sub-standard risk provisions	208,101	-	(208,101)	(100.0)

(Amounts in euro thousand)	Specific	General	Country risk	Total
Balance at 1 January*	10,199,550	348,231	321	10,548,102
Net provisions	370,345	(40,122)	(28)	330,195
Amount used	151,769	-	-	151,769
Other variations and transfers	(375,191)	(34,232)	-	(409,423)
Balance at 31 March	10,042,935	273,877	293	10,317,105

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
RISK QUALITY MEASURES				
Total Risks (€ thousand)	140,267,303	128,177,628	(12,089,675)	(8.6)
Non-performance (Non-performing loans/Total risks)	12.68	14.91	2.2	
Credit risk premium*	0.81	1.78	1.0	

* Credit risk premium calculated as impairment of "Loans and receivables" between the average gross amount of "Loans and receivables".

Risk Management

(Amounts in euro thousand)	31.03.17
COVERAGE BY TYPE OF NON-PERFORMING BALANCE	
Non-performing balances without mortgage guarantee or pledge guarantee	5,545,541
Non-performing balances with mortgage guarantee or pledge guarantees	13,566,944
Value of guarantees	9,601,445
Total non-performing balances	19,112,485
Loans fully written-off	5,320,995
Non-performing balances+Loans fully written-off	24,433,480
Total value of guarantees*	9,601,445
Provisions for insolvency	10,317,105
Provisions for insolvency with written-off loans	15,638,100
Coverage for non-performing loans and written-off loans ¹	62.00
Coverage for non-performing loans ¹	51.42
Coverage with guarantees ¹	101.29

* Maximum guaranteed amount reflected in FINREP table F18.00

¹ The coverage ratio for NPLs and REOs does not include mortgage floor clause provisions. With the inclusion of the mortgage floor clause NPLs provisions and write-off loans would be 64.00% in Mar-17, NPLs provisions would be 53.98% in Mar-17 and coverage with guarantees would be 103.30% in Mar-17.

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
ASSET IMPAIRMENT				
Financial assets	202,909	360,421	157,512	77.6
Credit risk	177,585	346,450	168,865	95.1
Of which: written-offs recovered	21,113	13,032	(8,081)	(38.3)
Investments	11,624	71	(11,553)	(99.4)
Provisions	13,700	13,900	200	1.5
Non-financial assets and property	89,434	135,445	46,011	51.4
Total	292,343	495,866	203,523	69.6

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
NPAS TOTAL PROVISIONS				
Provisions or (-) reversal of provisions	(2.425)	(34.495)	(32.070)	>
Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit and loss	205.334	394.916	189.582	92,3
Impairment or (-) reversal of impairment on non-financial assets	(23.618)	13.167	36.785	<
Gains or (losses) on non current assets or disposal groups held for sale				
Of which: Impairment in non-financial assets (Real estate) - Non-current assets held for sale	113.052	122.278	9.226	8,2
Total Provisions	292.343	495.866	203.523	69,6

(Amounts in euro thousand)	31.03.16	31.03.17	Variation	
			Amount	%
FORECLOSED ASSETS				
REOs ex-rentals	15,706,961	15,937,040	230,078	1.5
Rentals	1,234,926	1,789,906	554,981	44.9
REOs	16,941,887	17,726,946	785,059	4.6
REOs provisions (ex-rentals)	5,516,558	6,273,652	757,093	13.7
Rentals provisions	347,193	556,462	209,270	60.3
Total REOs provisions	5,863,751	6,830,114	966,363	16.5
REOs coverage ratio (ex-rentals) %	35.1	39.4		4.2
Rentals coverage ratio %	28.1	31.1		3.0
REOs coverage ratio %	34.6	38.5		3.9

Solvency Group

(Amounts in euro thousand)	31.03.16	31.12.16 re-exposed	31.03.17
Capital	8,829,021	6,928,227	7,120,665
Reserves	3,897,551	3,937,417	3,690,611
Of which additional distributable items	3,536,111	3,593,857	3,348,659
Minority interest	6,533	4,264	2,217
Capital deductions	(3,142,335)	(3,588,819)	(4,713,956)
Ordinary Tier 1 Capital	9,590,769	7,281,089	6,099,538
Phased-in CET 1 ratio (%)	12.81%	11.53%	10.02%
Convertible perpetual debt	1,319,008	1,274,767	1,262,731
Additional capital deductions	(1,319,008)	(1,274,767)	(746,033)
Tier 1 capital	9,590,769	7,281,089	6,616,236
Tier 1 capital ratio (%)	12.81%	11.53%	10.87%
Tier 2 capital	516,252	697,156	635,856
Tier 2 capital ratio (%)	0.69%	1.10%	1.04%
Total Capital	10,107,021	7,978,245	7,252,092
Total capital ratio (%)	13.50%	12.64%	11.91%
Total risk weighted assets	74,887,260	63,131,615	60,885,947
of which credit risk	68,970,405	57,661,750	55,347,625
of which operational risk	5,368,606	5,321,961	5,321,961
of which market risk	548,249	147,904	216,361
Leverage			
Tier 1 capital	9,590,769	7,281,089	6,616,236
Exposure	160,739,161	146,557,467	146,540,819
Phased-in Basel III Leverage Ratio (%) ⁽¹⁾	5.97%	4.97%	4.51%

(1) Phased-in Basel III Leverage Ratio CRR.

Equity

(Amounts in euro thousand)	Capital & Reserves	Valuation adjustments	Minority interests	Net asset value
Balance at 31/12/2016*	11,124,393	(289,278)	11,990	10,847,105
Capital increase	190,002	-	-	190,002
Variation in treasury stock	(87,478)	-	-	(87,478)
Actuarial differences	-	190	-	190
Remuneration of mandatory convertible debentures	(20,891)	-	-	(20,891)
Consolidation operations and other (net)	(421)	-	(127)	(548)
Value adjustments	-	(14,662)	-	(14,662)
Net profit at 31 march 2016	(137,050)	-	(67)	(137,117)
Dividends paid/announced in 2017	-	-	-	-
Balance at 31/03/2017	11,068,555	(303,750)	11,796	10,776,601

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

Banco Popular share

	31.03.16	31.03.17
SHARE PRICE DATA		
Number of shareholders	272,912	305,152
Number of shares outstanding (thousands)	2,192,417	4,196,858
Closing price (€) ⁽¹⁾	2.052	0.910
Market capitalization (thousand €) ⁽²⁾	5,014,058	3,819,141
Maximum price (€)	2.694	1.010
Minimum price (€)	1.830	0.796
TRADING VOLUME		
Daily average number of shares traded (thousands)	22,573	45,471
Daily average trading volume (thousand €)	53,729	41,497
STOCK MARKET RATIOS		
Net earnings per share (€)	0.044	(0.033)
Dividend per share paid in the year (€)	0.040	-
Book value per share diluted (€)	5.82	2.64
Price/Earnings (annualized)	13.13	(6.90)
Price/Book value	0.39	0.35

(1) Share price prior periods adjusted by rights issue effect.

(2) Calculated on shares outstanding.

Shareholders and share price

The number of shareholders at 31 March 2017 was 305,152, which is an increase of 32,240 on the number of shareholders in the same period of the previous year.

Positive quarterly performance of the equity markets, based on the improved economic outlook and the possibility of regulatory changes in the United States with the commencement of Donald Trump's term as president. In Europe, the Spanish Ibex 35 index led the rises with an appreciation of 11.88%, followed by the German DAX index which rose 7.25%. The European financial sector regained part of the ground lost in 2016, with a rise of 5.13% in the Stoxx Europe 600 Banks index.

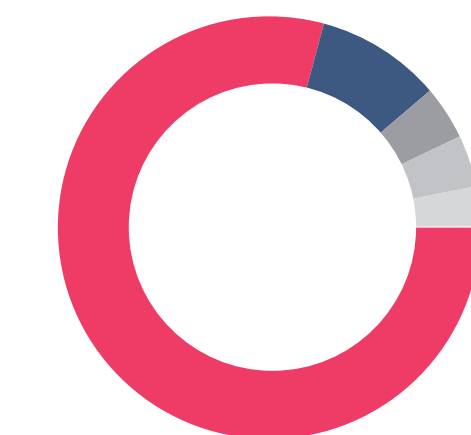
The Banco popular share price ended the quarter at €0.91, with a capitalisation of €3,819,140,864 (share capital consisting of 4,196,858,092 ordinary shares with a par value of €0.50 each).

Trading volume

The average trading in number of shares was 45,471,000 in the quarter. The average trading in cash was €41,497,000.

Banco Popular shares are included in the Madrid Stock Exchange general index with a weighting of 0.66% of the total, and in the Ibex-35 index with a weighting of 0.704%.

Shareholders distribution (March 2017)



Free-Float	79.18%
Popular Shareholders syndicate	9.59%
Mexican Shareholders Group	4.13%
Banque Fédérative Du Crédit Mutuel	3.95%
Allianz Group	3.05%
Other Core Shareholders	0.10%

Board of Directors¹ 20.82%

1. Including % Allianz Group and Mexican Shareholder's Group represented in the Board of Directors

2. Business

2.1 Main business

Main business ratio

Total banking business, excluding real estate and related business scope. This includes mainly retail banking and its sub-businesses (SMEs, consumer, asset management and insurance, etc), private banking, wholesale banking, fixed income portfolio and market funding (asset and liability transactions with credit institutions, hedging derivatives and fundraising on wholesale markets).

BUSINESS VOLUME	31.03.16¹	31.03.17
Net lending to customers (ex Repos)	79,865,355	76,518,590
Customer deposits	86,204,558	83,672,954
LTD	92.6%	91.4%
On-balance sheet funds	107,315,176	93,630,130

PROFITABILITY AND EFFICIENCY	31.03.16¹	31.03.17
Net interest income/ATA	1.8%	1.9%
Gross operating income/ATA	2.7%	2.5%
Net Operating Income (Pre-provision Profit)/ATA	1.6%	1.5%
Average Total Assets	128,300,513	116,833,430
Operating efficiency ratio	37.8%	36.8%
ROA	0.86%	0.62%
ROTE adjusted ²	18.7%	17.0%
RWA FL	49,580,948	38,122,243
RORWA	2.22%	1.89%



RISK MANAGEMENT	31.03.16¹	31.03.17
Total risks	122,859,640	112,278,369
Cost of risk	0.72%	0.85%
Gross non-performing loans	6,411,053	6,975,485
Net non-performing loans	3,436,995	3,297,380
NPL coverage ratio ³	40.9%	45.7%
Non-performing ratio	5.2%	6.2%
Allowance for credit losses	2,974,058	3,678,105

RESULTS	31.03.16¹	31.03.17
Net interest margin	593,378	551,187
Gross operating income	878,868	736,727
Net Operating Income (Pre-provision Profit)	517,602	434,555
Profit before tax	369,278	249,741
Profit after tax	274,991	180,055

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017. .

2. Adjusted for interest payment AT1 and calculated on CET1 FL at Mar-17

3. The coverage ratio for NPLs does not include mortgage floor clause provisions. With the inclusion of the mortgage floor clause NPLs provisions would be 46.4% in Mar-16 and 52.7% in Mar-17.

Main business' income statement

(Amounts in euros thousand)	31.03.16 ¹	31.03.17	Variation %
= Net interest income	593,378	551,187	(7.1)
+ Net fees and equity method income	35,745	31,683	(11.4)
± Gains or losses on financial assets and liabilities (net)	139,326	138,103	(0.9)
± Net other operating income	98,899	13,086	(86.8)
± Other income	11,521	2,668	(76.8)
=Gross operating income	878,868	736,727	(16.2)
-Administrative expenses	331,964	271,111	(18.3)
- Depreciation & amortisation	29,302	31,061	6.0
= Net Operating Income (Pre-provision Profit)	517,602	434,555	(16.0)
-Impairment losses and provisions	163,481	184,798	13.0
± Gains / (Losses) on assets held for sale (net)	15,157	(16)	<
=Profit before tax	369,278	249,741	(32.4)
± Income tax	94,286	69,686	(26.1)
=Profit/ Loss attributed to the controlling company	274,991	180,055	(34.5)

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Quarterly main business' income statement

(Amounts in euro thousand)	1Q16 ¹	2Q16 ¹	3Q16 ¹	4Q16 ^{1*}	1Q17	Variation %
= Net interest income	593,378	525,713	543,675	561,486	551,187	(1.8)
+ Net fees and equity method income	35,745	50,894	33,260	(21,309)	31,683	>
± Gains or losses on financial assets and liabilities (net)	139,326	134,191	124,922	131,733	138,103	4.8
± Net other operating income	98,899	77,357	102,726	(94,054)	13,086	>
± Other income	11,521	(38,283)	4,641	(53,910)	2,668	>
=Gross operating income	878,868	749,872	809,223	523,946	736,727	40.6
-Administrative expenses	331,964	332,112	332,054	641,679	271,111	(57.7)
- Depreciation & amortisation	29,302	29,047	29,275	30,163	31,061	3.0
= Net Operating Income (Pre-provision Profit)	517,602	388,713	447,895	(147,895)	434,555	>
-Impairment losses and provisions	163,481	49,144	152,228	1,123,300	184,798	(83.5)
± Gains / (Losses) on assets held for sale (net)	15,157	72,084	14	(2,156)	(16)	99.3
=Profit before tax	369,278	411,653	295,681	(1,273,351)	249,741	>
± Income tax	94,286	115,646	78,836	(296,163)	69,686	>
=Profit/ Loss attributed to the controlling company	274,991	296,006	216,845	(977,188)	180,055	>

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Main business' balance sheet

(Amounts in euro thousand)	31.03.16 ¹	31.12.16 ^{1*}	31.03.17	Variation %	
				3 months	12 months
ASSETS					
Cash and cash balances at central banks	3,084,522	3,269,956	6,156,648	88.3	99.6
Financial assets held for trading	1,540,911	2,100,033	2,253,787	7.3	46.3
Financial assets designated at fair value through profit or loss	542,776	553,790	586,033	5.8	8.0
Available-for-sale financial assets	29,088,005	15,384,097	13,219,484	(14.1)	(54.6)
Loans and receivables	92,979,499	89,293,310	85,219,473	(4.6)	(8.3)
Deposits at credit institutions	5,050,009	4,159,264	3,213,165	(22.7)	(36.4)
Of which interbank deposits	527,742	202,510	228,840	13.0	(56.6)
Loans and advances to other debtors	86,742,857	84,532,079	81,462,939	(3.6)	(6.1)
Fixed Income	1,186,633	601,967	543,369	(9.7)	(54.2)
Held-to-maturity investments	-	4,583,511	7,360,242	60.6	-
Derivatives – Hedge accounting	371,753	295,219	248,079	(16.0)	(33.3)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	303,953	265,519	260,168	(2.0)	(14.4)
Investments in subsidiaries, joint ventures and associates	1,458,967	1,451,156	1,474,419	1.6	1.1
Assets under reinsurance and insurance contracts	18,771	17,543	17,707	0.9	(5.7)
Tangible assets	721,780	758,306	763,591	0.7	5.8
Intangible assets	2,569,104	2,611,328	2,609,454	(0.1)	1.6
Tax assets	920,516	1,466,321	1,477,720	0.8	60.5
Other assets	599,596	730,494	887,646	21.5	48.0
Non-current assets and disposal groups classified as held for sale	-	-	-	-	-
Total assets	134,200,153	122,780,584	122,534,452	(0.2)	(8.7)
LIABILITIES					
Financial liabilities held for trading	1,310,764	1,643,755	1,553,030	(5.5)	18.5
Financial liabilities designated at fair value through profit or loss	586,140	604,707	609,730	0.8	4.0
Financial liabilities measured at amortised cost	142,514,248	130,490,287	130,576,695	0.1	(8.4)
Liabilities of credit institutions	34,513,194	30,046,639	35,758,580	19.0	3.6
Of which interbank deposits	1,704,431	1,881,236	2,302,042	22.4	35.1
Deposits from other creditors	88,433,167	82,372,049	78,478,084	(4.7)	(11.3)
Debt certificates including bonds	16,818,647	15,022,538	13,119,344	(12.7)	(22.0)
Subordinated liabilities	2,060,897	2,039,472	2,031,114	(0.4)	(1.4)
Other financial liabilities	688,642	1,020,875	1,190,344	16.6	72.9
Derivatives – Hedge accounting	2,480,423	1,201,865	1,045,838	(13.0)	(57.8)
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-
Liabilities under insurance and reinsurance contracts	500,514	484,284	469,937	(3.0)	(6.1)
Provisions	358,504	511,754	425,382	(16.9)	18.7
Tax liabilities	610,957	331,325	336,155	1.5	(45.0)
Share capital repayable on demand	-	-	-	-	-
Other liabilities	512,119	738,434	535,324	(27.5)	4.5
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-
Net intra-segment funding ⁽¹⁾	(23,912,043)	(20,877,043)	(20,586,228)	1.4	13.9
Total liabilities	124,961,626	115,129,367	114,965,862	(0.1)	(8.0)
EQUITY					
Total equity	9,585,510	7,949,005	7,879,926	(0.9)	(17.8)
Other comprehensive income and accumulated	(359,018)	(306,246)	(319,621)	(4.4)	11.0
Minority interests (non-controlling interests)	12,035	8,457	8,285	(2.0)	(31.2)
Net asset value	9,238,527	7,651,216	7,568,590	(1.1)	(18.1)
Total liabilities and equity	134,200,153	122,780,584	122,534,452	(0.2)	(8.7)

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1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

2. The Asset of the Real Estate and Associated Business is financed by the excess of retail and wholesale liabilities of the Main Business, through a transfer fee system, a cost of financing is charged to the Real Estate Business. The cost of financing incorporates the market interest rate plus a liquidity premium, and in the case of promoters, doubtful and real estate is assimilated to the cost of issuing senior debt.

Main business' commercial GAP

(Amounts in euro thousand)	31.03.16 ¹	31.12.16 ^{1*}	31.03.17	Variation %	
				3 months	12 months
Net lending to customers	86,742,857	84,532,079	81,462,939	(3.6)	(6.1)
Reverse repos (valuation adjustments included)	6,877,502	6,701,640	4,944,349	(26.2)	(28.1)
Total net lending to customers (ex repos) (a)	79,865,355	77,830,439	76,518,590	(1.7)	(4.2)
Current accounts	37,446,696	39,494,383	39,936,030	1.1	6.6
Term deposits	41,768,029	37,910,274	36,772,081	(3.0)	(12.0)
Valuation adjustments	110,514	122,873	103,192	(16.0)	(6.6)
Subtotal customer deposits (ex repos, ex Treasury)	79,325,239	77,527,530	76,811,303	(0.9)	(3.2)
Retail Commercial paper	121,951	271,728	231,233	(14.9)	89.6
Mediation loans ⁽¹⁾	5,855,952	5,376,332	5,525,293	2.8	(5.6)
Securitized sold to third parties	59,435	50,825	47,989	(5.6)	(19.3)
Marketable securities distributed through the branch network ⁽²⁾	465,197	453,001	448,367	(1.0)	(3.6)
Tax collection accounts	376,784	407,408	608,769	49.4	61.6
Total customer deposits (b)	86,204,558	84,086,822	83,672,954	(0.5)	(2.9)
GAP (a-b)	(6,339,203)	(6,256,383)	(7,154,363)	(14.4)	(12.9)
LTD (a/b)	92.6%	92.6%	91.4%	-111 p.b.s.	-120 p.b.s.

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

2. ICO and EIB funding directly received for loans to companies.

3. Including convertible notes, preference shares and subordinated debt distributed via the branch network

Main business' Retail Funds

(Amounts in euros thousand and %)	31.03.16 ¹	31.12.16 ^{1*}	31.03.17	Variation %	
				3 months	12 months
Demand deposits (ex-Treasury) and Other accounts	37,446,696	39,494,383	39,936,030	1.1	6.6
Time deposits	41,768,029	37,910,274	36,772,081	(3.0)	(12.0)
Asset repos	463,869	296,412	416,320	40.5	(10.3)
Other accounts and valuation adjustments	110,514	122,873	103,192	(16.0)	(6.6)
Subtotal customer deposits and General Government (ex-Treasury)	79,789,108	77,823,942	77,227,623	(0.8)	(3.2)
Retail Commercial paper	121,951	271,728	231,233	(14.9)	89.6
ICO Mediation loans ²	5,855,952	5,376,332	5,525,293	2.8	(5.6)
Securitized sold to third parties	59,435	50,824	47,989	(5.6)	(19.3)
Marketable securities distributed through the branch network ³	465,197	453,001	448,367	(1.0)	(3.6)
Tax collection accounts	376,784	407,408	608,769	49.4	61.6
Asset repos	(463,869)	(296,412)	(416,320)	(40.5)	10.3
Total Retail Funds	86,204,558	84,086,822	83,672,954	(0.5)	(2.9)

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1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

2. ICO and EIB funding directly received for loans to companies.

3. Including subordinated debt distributed via the branch network.

Main business' funds managed

(Amounts in euros thousand and %)	31.03.16	31.12.16 ^{1*}	31.03.17	Variation %	
				3 months	12 months
Customer deposit:					
General government	10,333,097	6,168,921	6,343,598	2.8	(38.6)
Total customer deposits	73,791,460	72,029,148	70,780,833	(1.8)	(4.1)
Residents	64,908,184	63,013,095	62,171,972	(1.4)	(4.2)
NonResidents	8,883,276	9,016,053	8,608,861	(4.5)	(3.1)
Valuation adjustments (+/-)	110,514	122,873	103,192	(16.0)	(6.6)
Subtotal customer deposits and General Government	84,235,071	78,320,942	77,227,623	(1.4)	
Deposits at central counterparty entities	4,198,096	4,051,108	1,250,461	(69)	
Total customer deposits	88,433,167	82,372,049	78,478,084	(4.7)	(11.3)
Unadjusted debt certificates including bonds:	16,639,757	14,919,835	13,081,874	(12.3)	(21.4)
Valuation adjustments (+/-)	181,355	104,291	39,058	(62.5)	(78.5)
Total debt certificates including bonds	16,821,112	15,024,126	13,120,932	(12.7)	(22.0)
Subordinated liabilities	2,060,897	2,039,472	2,031,114	(0.4)	(1.4)
Total on-balance sheet funds (a)	107,315,176	99,435,647	93,630,130	(5.8)	(12.8)
Mutual funds	11,011,976	10,918,446	10,812,111	(1.0)	(1.8)
Asset portfolio management	1,698,875	1,639,617	1,641,711	0.1	(3.4)
Pensions funds	5,187,603	5,149,535	5,086,598	(1.2)	(1.9)
Insurance premiums	2,313,959	2,385,540	2,536,088	6.3	9.6
Total other intermediated funds (b)	20,212,413	20,093,138	20,076,508	(0.1)	(0.7)
Total funds managed (a+b)	127,527,589	119,528,785	113,706,639	(4.9)	(10.8)

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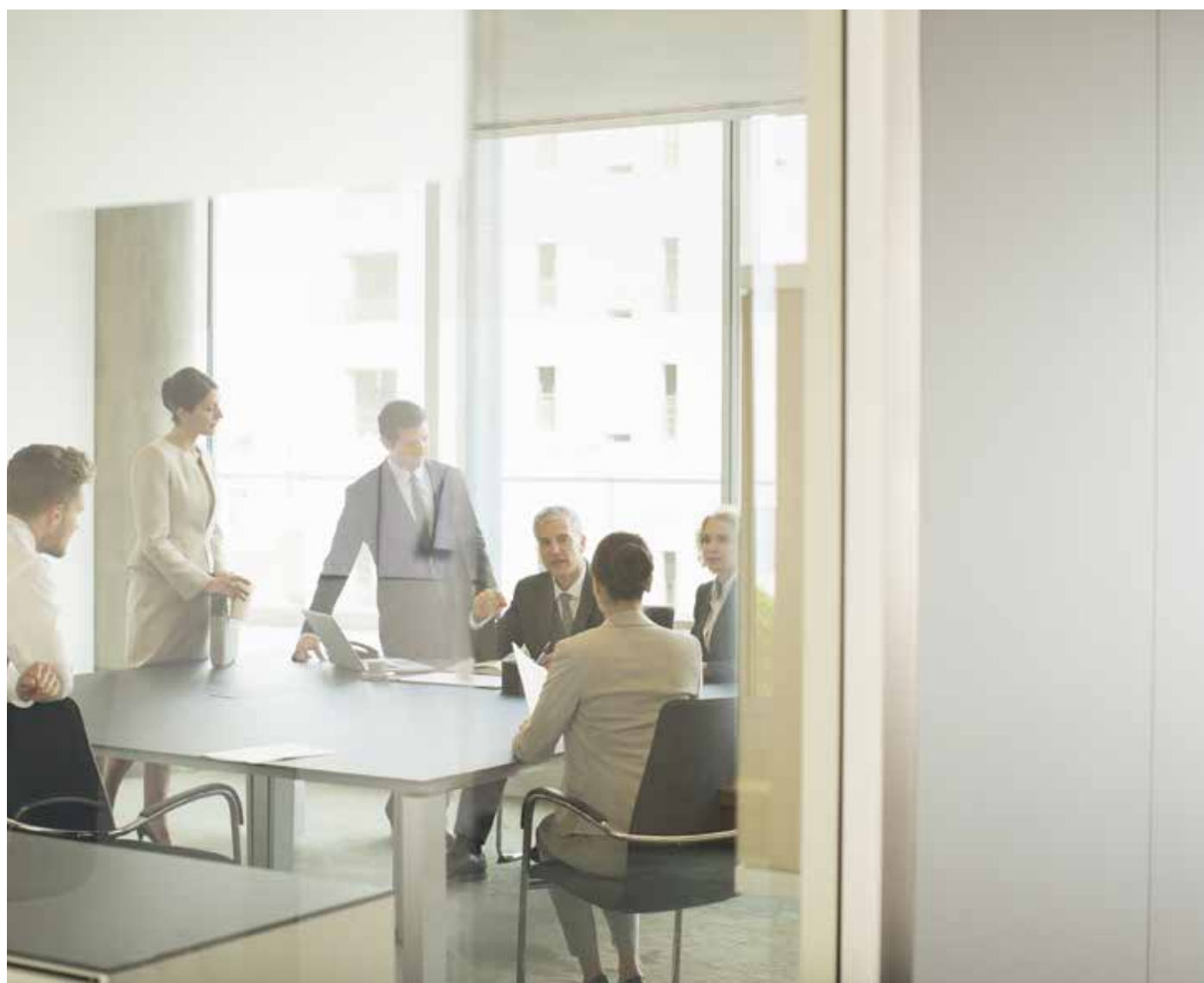
1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Main business' lending to customers

(Amounts in euro thousand)	31.03.16 ¹	31.12.16 ^{**}	31.03.17	Variation %	
				3 months	12 months
Total gross lending to customers (ex repos)	82,580,487	81,388,681	80,016,241	(1.7)	(3.1)
Retail banking	67,005,455	66,530,937	65,704,857	(1.2)	(1.9)
Households	21,402,836	21,713,800	21,631,514	(0.4)	1.1
SMEs and self-employed	40,296,131	39,824,103	39,575,694	(0.6)	(1.8)
Other corporates and public sector	5,306,488	4,993,035	4,497,649	(9.9)	(15.2)
Wholesale banking	15,575,032	14,857,744	14,311,384	(3.7)	(8.1)
Corporate Banking	10,531,482	10,203,236	9,640,021	(5.5)	(8.5)
Institutional Banking	5,043,550	4,654,508	4,671,363	0.4	(7.4)
Valuation adjustments (+/-)	(2,715,132)	(3,558,242)	(3,497,651)	1.7	(28.8)
Total net lending to customers (ex repos)	79,865,355	77,830,439	76,518,590	(1.7)	(4.2)

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1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017. This table includes all contracts assigned by type of customer (first titleholder of the contract), regardless of the purpose of the contract, so it may differ with the Distribution of Credit Risk.



Main business' Yields & Costs

(Amounts in € thousand and rates annualized)	31.03.16 ¹				31.03.17			
	Average balance	Distribution (%)	Income or expense	Distribution (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	6,813,576	5.31	1,344	0.08	6,351,446	5.44	(2,156)	(0.14)
Loans and discounts (a)	82,920,638	64.63	585,387	2.82	78,356,015	67.07	494,281	2.52
Securities portfolio	29,214,789	22.77	89,339	1.22	21,099,377	18.06	77,021	1.46
Other earning assets	183,436	0.14	1,145	2.50	181,535	0.16	475	1.05
TOTAL EARNING ASSETS (b)	119,132,439	92.85	677,215	2.27	105,988,374	90.72	569,621	2.15
Other assets	9,168,074	7.15	-	-	10,845,056	9.28	-	-
					-	-	-	-
TOTAL ASSETS	128,300,513	100.00	677,215	2.11	116,833,430	100.00	569,621	1.95
Financial system	31,614,831	24.64	29,538	0.37	29,788,487	25.50	(5,504)	(0.07)
Customer funds (c)	88,189,387	68.74	84,757	0.38	78,732,476	67.39	59,336	0.30
Demand and savings accounts	41,384,459	32.26	12,275	0.12	39,719,527	34.00	6,303	0.06
Time deposits	41,771,433	32.56	73,578	0.70	36,617,831	31.34	55,253	0.60
Repos	5,033,495	3.92	(1,096)	(0.09)	2,395,119	2.05	(2,221)	(0.37)
Marketable debt securities & other	17,979,917	14.01	98,219	2.19	16,420,267	14.05	74,830	1.82
Other interest-bearing liabilities	273,097	0.21	2,974	4.36	260,482	0.22	6,764	10.39
Net intra-segment funding	(24,348,752)	(18.98)	(131,650)	2.16	(22,746,065)	(19.47)	(116,992)	2.06
TOTAL INTEREST-BEARING FUNDS (d)	113,708,481	88.63	83,838	0.29	102,455,647	87.69	18,434	0.07
Other funds	5,127,131	4.00	-	-	6,074,510	5.20	-	-
Equity	9,464,901	7.38	-	-	8,303,273	7.11	-	-
TOTAL FUNDS	128,300,513	100.00	83,838	0.26	116,833,430	100.00	18,434	0.06
<i>Customer spread (a-c)</i>				2.44				2.22
<i>Spread (b-d)</i>				1.98				2.08
<i>Net interest income</i>				1.85				1.89

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Main business' Yields & Costs

	2016 ¹										2017	
	1Q16		2Q16		3Q16		4Q16*		1Q17		Average rate (%)	Average rate (%)
	Distribu- tion (%)	Average rate (%)	Distribu- tion (%)	Average rate (%)	Distribu- tion (%)	Average rate (%)	Distribu- tion (%)	Average rate (%)	Distribu- tion (%)	Average rate (%)		
Financial system	5.31	0.08	5.52	0.02	5.35	(0.38)	5.31	(0.27)	5.44	(0.14)		
Loans and discounts (a)	64.63	2.82	64.36	2.54	65.28	2.48	67.78	2.52	67.07	2.52		
Securities portfolio	22.77	1.22	22.94	1.06	20.99	1.18	18.93	1.29	18.06	1.46		
Other earning assets	0.14	2.50	0.14	3.79	0.14	1.54	0.15	3.94	0.16	1.05		
TOTAL EARNING ASSETS (b)	92.85	2.27	92.96	2.02	91.76	2.02	92.17	2.11	90.72	2.15		
Other assets	7.15	-	7.11	-	8.02	-	7.83	-	9.28	-		
TOTAL ASSETS	100.00	2.11	100.00	1.88	100.00	1.85	100.00	1.95	100.00	1.95		
Financial system	24.64	0.37	24.45	0.31	23.02	0.16	22.79	0.02	25.50	(0.07)		
Customer funds (c)	68.74	0.38	67.87	0.37	66.26	0.34	70.79	0.32	67.39	0.30		
Demand and savings accounts	32.26	0.12	33.28	0.11	33.46	0.09	36.02	0.08	34.00	0.06		
Time deposits	32.56	0.70	32.26	0.68	31.27	0.65	32.63	0.65	31.34	0.60		
Repos	3.92	(0.09)	2.33	(0.31)	1.53	(0.44)	2.15	(0.52)	2.05	(0.37)		
Marketable debt securities & other	14.01	2.19	14.83	2.11	14.81	1.99	14.44	1.92	14.05	1.82		
Other interest-bearing liabilities	0.21	4.36	0.21	2.02	0.22	1.89	0.24	1.70	0.22	10.39		
Net intra-segment funding	(18.98)	2.16	(19.07)	2.09	(18.41)	2.21	(20.27)	2.23	(19.47)	2.06		
TOTAL INTEREST-BEARING FUNDS (d)	88.63	0.29	88.30	0.28	85.89	0.18	87.99	0.07	87.69	0.07		
Other funds	4.00	-	4.03	-	4.66	-	2.13	-	5.20	-		
Equity	7.38	-	7.74	-	9.23	-	9.87	-	7.11	-		
TOTAL FUNDS	100.00	0.26	100.00	0.24	100.00	0.16	100.00	0.06	100.00	0.06		
		-		-		-		-		-		
<i>Customer spread (a-c)</i>		2.44		2.17		2.14		2.20		2.22		
<i>Spread (b-d)</i>		1.98		1.75		1.84		2.04		2.08		
<i>Net interest income</i>		1.85		1.64		1.70		1.88		1.89		

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2. Business

2.2 Real estate and related business' ratios

Real estate and related business' ratios

Foreclosures and credit risk associated with the real estate sector (real estate promotions, construction, buying/selling or renting of real estate assets, housing) in Spain, in foreign subsidiaries and real estate holdings.

BUSINESS VOLUME	31.03.16¹	31.03.17
Net lending to customers (ex Repos)	13,240,374	9,260,259
Gross Lending	17,415,521	15,899,259
Total assets managed	27,795,214	24,579,999
On balance sheet funds	567,594	490,812

BALANCE SHEET	31.03.16¹	31.03.17
RWA FL	25,583,942	22,080,666
Average Total Assets	28,026,508	26,137,948



RISK MANAGEMENT	31.03.16¹	31.03.17
Net REOs	11,078,136	10,896,832
Net REOs exrentals	10,190,136	9,663,388
Gross REOs exrentals	16,941,887	17,726,946
Gross REOs	15,706,887	15,937,040
Net NPLs	7,199,711	5,498,000
Gross NPLs	11,374,858	12,137,000
NPL coverage ratio	36.7%	54.7%
REOs coverage ratio (ex-rentals) %	35.5%	45.1%
Total provisions	10,038,898	13,469,114
Of which NPLs	4,175,147	6,639,000
Of which REOs	5,863,751	6,830,114

RESULTS	31.03.16¹	31.03.17
Net interest margin	(41,918)	(51,592)
Gross operating income	(48,233)	(56,946)
Net Operating Income (Pre-provision Profit)	(100,903)	(125,901)
Profit before tax	(245,033)	(447,472)
Profit after tax	(181,199)	(317,105)

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Real estate and related business' income statement

(Amounts in euros thousand)	31.03.16 ¹	31.03.17	Variation %
= Net interest income	(41,918)	(51,592)	(23.1)
+ Profit or loss of entities accounted for using the equity method	(11,426)	(12,019)	(5.2)
+ Net fees and commissions	1,807	1,874	3.7
± Gains or losses on financial assets and liabilities (net)	-	-	-
± Net other operating income	3,303	4,791	45.0
=Gross operating income	(48,233)	(56,946)	(18.1)
-Administrative expenses	46,873	60,066	28.1
- Depreciation & amortisation	5,797	8,889	53.4
= Net Operating Income (Pre-provision Profit)	(100,903)	(125,901)	(24.8)
-Impairment losses and provisions	128,862	311,068	>
±Gains / (Losses) on assets held for sale (net)	(15,268)	(10,503)	31.2
=Profit before tax	(245,033)	(447,472)	(82.6)
± Income tax	(63,833)	(130,367)	<
=Profit/ Loss attributed to the controlling company	(181,199)	(317,105)	(75.0)

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Quarterly real estate and related business' income statement

(Amounts in euros thousand)	1Q16 ¹	2Q16 ¹	3Q16 ¹	4Q16 ^{1*}	1Q17	Variation %
= Net interest income	(41,918)	2,904	(43,806)	(44,844)	(51,592)	(15.0)
+ Profit or loss of entities accounted for using the equity method	(11,426)	(9,504)	(9,608)	(8,157)	(12,019)	(47.3)
+ Net fees and commissions	1,807	1,380	2,529	2,783	1,874	(32.7)
± Gains or losses on financial assets and liabilities (net)	-	15,800	-	-	-	-
± Net other operating income	3,303	(1,231)	(667)	4,496	4,791	6.6
=Gross operating income	(48,233)	9,349	(51,551)	(45,722)	(56,946)	(24.5)
-Administrative expenses	46,873	54,256	52,379	95,939	60,066	(37.4)
- Depreciation & amortisation	5,797	5,950	5,941	5,220	8,889	70.3
= Net Operating Income (Pre-provision Profit)	(100,903)	(50,857)	(109,872)	(146,882)	(125,901)	14.3
-Impairment losses and provisions	128,862	352,046	175,329	3,727,539	311,068	(91.7)
±Gains / (Losses) on assets held for sale (net)	(15,268)	(24,680)	(20,007)	(19,426)	(10,503)	45.9
=Profit before tax	(245,033)	(427,583)	(305,208)	(3,893,847)	(447,472)	88.5
± Income tax	(63,833)	(131,698)	(88,779)	(1,165,389)	(130,367)	88.8
=Profit/ Loss attributed to the controlling company	(181,199)	(295,884)	(216,429)	(2,728,458)	(317,105)	88.4

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

Real estate and related business' balance sheet

(Amounts in euro thousand)	31.03.16 ¹	31.12.16 ^{1*}	31.03.17	Variation %	
				3 months	12 months
ASSETS					
Cash and cash balances at central banks	3	8,852	20,666	>	>
Financial assets held for trading	5,138	3,816	5,154	35.1	0.3
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-
Loans and receivables	13,240,374	9,506,402	9,260,260	(2.6)	(30.1)
Deposits at credit institutions	-	-	-	-	-
Of which interbank deposits	-	-	-	-	-
Loans and advances to other debtors	13,240,374	9,506,402	9,260,259	(2.6)	(30.1)
Fixed Income	-	-	1	-	-
Held-to-maturity investments	-	-	-	-	-
Derivatives - Hedge accounting	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	490,608	413,986	433,945	4.8	(11.5)
Assets under reinsurance and insurance contracts	-	-	-	-	-
Tangible assets	932,433	1,434,487	1,465,009	2.1	57.1
Intangible assets	1,233	1,238	1,235	(0.2)	0.2
Tax assets	2,817,664	3,719,598	3,721,050	0.0	32.1
Other assets	987,986	961,119	892,452	(7.1)	(9.7)
Non-current assets and disposal groups classified as held for sale	9,319,775	8,855,719	8,780,229	(0.9)	(5.8)
Total assets	27,795,214	24,905,216	24,579,999	(1.3)	(11.6)
LIABILITIES					
Financial liabilities held for trading	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-
Financial liabilities measured at amortised cost	643,227	694,379	622,234	(10.4)	(3.3)
Liabilities of credit institutions	142,151	144,068	145,616	1.1	2.4
Of which interbank deposits	-	-	-	-	-
Deposits from other creditors	470,994	468,898	406,608	(13.3)	(13.7)
Debt certificates including bonds	2,465	1,588	1,588	-	(35.6)
Subordinated liabilities	-	-	-	-	-
Other financial liabilities	27,318	68,539	67,651	(1.3)	>
Derivatives - Hedge accounting	-	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	-
Liabilities under insurance and reinsurance contracts	-	-	-	-	-
Provisions	14,395	23,132	23,125	(0.0)	60.6
Tax liabilities	13,941	66,023	63,976	(3.1)	>
Share capital repayable on demand	-	-	-	-	-
Other liabilities	26,951	48,750	76,424	56.8	>
Liabilities included in disposal groups classified as held for sale	-	-	-	-	-
Net funding intra-segments ²	23,912,043	20,877,043	20,586,228	(1.4)	(13.9)
Total liabilities	24,610,557	21,709,328	21,371,988	(1.6)	(13.2)
EQUITY					
Total equity	3,169,299	3,175,388	3,188,629	0.4	0.6
Other comprehensive income and accumulated	11,210	16,968	15,871	(6.5)	41.6
Minority interests (non-controlling interests)	4,148	3,533	3,511	(0.6)	(15.4)
Net asset value	3,184,657	3,195,889	3,208,011	0.4	0.7
Total liabilities and equity	27,795,214	24,905,216	24,579,999	(1.3)	(11.6)

*Information for December 2016 restated as a result of the Material Event Notice filed with the CNMV (Spanish Securities Market Commission) on 3 April 2017.

1. The reporting scope of the real estate business has been adjusted to include the customers that are being managed by specialised NITA network began operating in the first quarter of 2017.

2. The real estate and related businesses assets are funded with the surplus retail and wholesale deposits of the Main Business through a transfer pricing system under which a financing cost is charged to the real estate and related business. The financing cost includes the market interest rate plus a liquidity premium and, in the case of real estate developers and non performing assets, the cost is the same as that of senior debt issuances of the entity.

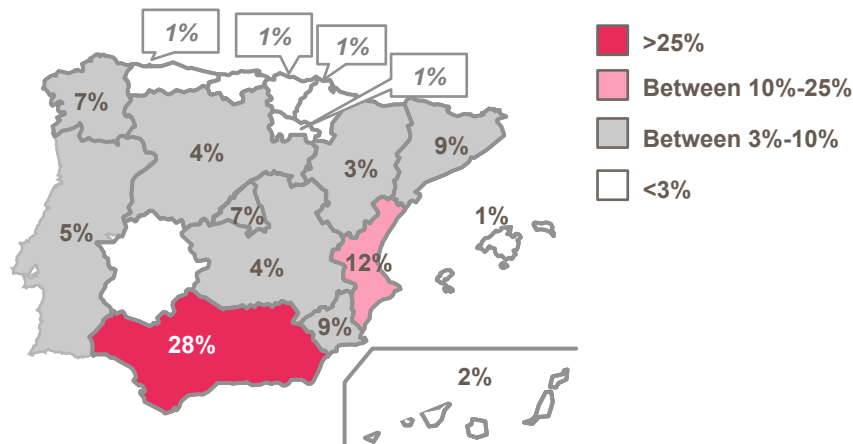
Breakdown of Foreclosed asset

(Amounts in euro thousand)	31.03.16 ¹	31.03.17	Variation %
Investment Property (net of provisions)	850,789	1,379,780	62.2
Stock (net of provisions)	907,572	736,823	(18.8)
Non-current assets held for sale (net of provisions)	9,319,775	8,780,229	(5.8)
Net amount	11,078,136	10,896,832	(1.6)
of which: Provisions	5,863,994	6,830,114	16.5
Gross amount	16,942,130	17,726,946	4.6



Foreclosed assets distribution by region (gross book value)

March 2017 (%)



Note: In Madrid are allocated 851M€ to different companies for which the distribution by region is not shown.

Geographical distribution by asset type (gross value)

March 2017. Thousand of euros

	TOTAL	Finished buildings	Land	Buildings under construction
Andalusia	4,956,135	2,681,675	2,132,970	141,489
Valencian C.	2,070,385	939,863	1,103,566	26,956
Catalonia	1,628,830	934,591	672,107	22,132
Murcia	1,533,177	515,656	1,001,232	16,289
Madrid	1,312,225	493,505	809,555	9,165
Galicia	1,158,022	644,796	451,793	61,433
Castille and Leon	700,608	331,877	361,902	6,829
Castille la Mancha	628,108	286,957	332,958	8,193
Aragon	459,413	122,590	336,823	-
Canary Islands	413,940	270,795	132,997	10,149
Basque Country	246,556	176,144	70,412	-
Asturias	231,814	112,989	116,595	2,230
Navarre	216,717	115,263	99,870	1,584
Balearic Islands	165,918	127,172	36,076	2,670
La Rioja	158,997	55,161	102,777	1,059
Extremadura	86,699	56,780	29,822	97
Cantabria	79,937	43,522	33,924	2,491
Ceuta	1,006	877	129	-
Melilla	252	252	-	-
Others*	861,906	-	-	-
Portugal	816,302	-	-	-
Total	17,726,946	7,910,465	7,825,506	312,767

* Assets pending categorization

3. Annex

MARs (Alternative
Performance Measures -
APMs)

MARs (Alternative Performance Measures – APMs)

APM	Definition (1)	Account Information (2)	Management Information (3)	Section of the Annual Management Report (4)
MONITORING OF RESULTS	The APMs in this section show the main margins of the income statement.			
Net interest income	Difference between financial income and financial costs. Mainly it is the difference assessed between what is charged on loans and paid on deposits.	Profit/loss accounting entries: Interest income; Interest expenses.		6
Total operating income	The net interest income plus: net fees and commissions; dividends charged for shareholdings in other companies; the results of the entities assessed through the shareholding; the result of financial activities (net); exchange rate differences and other operating income and expenses.	Profit/loss accounting entries: Net interest income, Dividend income, Fee and commission income, Fee and commission expenses, Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net, Gains or (-) losses on financial assets and liabilities held for trading, net, Gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss, net, Gains or (-) losses from hedge accounting, net, Exchange differences [gain or (-) loss], net, Other operating income, (Other operating expenses), Assets under reinsurance and insurance contracts income (Assets under reinsurance and insurance contracts expenses).		6
Net operating income	Gross income minus operating expenses (staff expenses, other administrative expenses and depreciation). It is what best reflects the evolution of the bank's business.	Profit/loss accounting entries: Total operating Income, Staff expenses, Other administrative expenses, Depreciation.		6
PROFITABILITY AND EFFICIENCY	The APMs in this section show the most representative measures of profitability and efficiency.			
Average asset performance	It is the average rate of return on and is calculated as the ratio between Interest Income and Average Total Assets	Profit/loss accounting entry: Interest income.	Average total Assets: Average value of Accounting Assets at month end, plus the average daily balance of temporary Asset Acquisitions and Loans and Receivables.	6
Return on Assets (ROA)	It is the relationship between Consolidated Profit/Loss and Average Total Assets. This ratio shows the return obtained on the entity's assets.	Profit/loss accounting entry: Assets under reinsurance and insurance contracts income.	Average total Assets: Average value of Accounting Assets at month end, plus the average daily balance of temporary Asset Acquisitions and Loans and Receivables.	6
Return On Risk-Weighted Assets (RORWA)	Ratio which relates the Net Profit of an entity and Average Risk-Weighted Assets.	Profit/loss accounting entry: Assets under reinsurance and insurance contracts income.	Total Risk-Weighted Assets: sum of the bank's assets, weighted according to the risk of each asset's behaviour in accordance with regulatory guidelines, calculated as the average of the reference period. (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms).	6

APM	Definition (1)	Account Information (2)	Management Information (3)	Section of the Annual Management Report (4)
Return On Tangible Equity (ROTE)	It is the relationship between Net Profit Attributable to the Group and Tangible Equity. This ratio indicates the return that shareholders can obtain on funds invested in the entity.	Profit/loss accounting entry: Assets under reinsurance and insurance contracts income.	Tangible Equity: The result of reducing the Group's own funds by the goodwill and other intangibles with the same criteria used for the calculation of regulatory capital. For business' ROTE, own funds are calculated on the basis of the 2016 CET1 forecast.	
Operating efficiency	It is the relationship between operating costs (personnel expenses and other general administrative expenses) and Gross Income (all income earned by the entity).	Profit/loss accounting entries: Administrative Expenses, Total operating income.		6
Customer spread	It is the difference between the average rate which the bank charges on its customers' loans and advances and the average rate a bank pays on customer deposits.		Average Interest Rate of Loans and Advances to Customers: Annualised percentage between accounting products of Loans and Advances to Customers in relation to the average balance of Loans and Advances to Customers Average Interest Rate of Customer Funds: Annualised percentage between accounting costs of Customer Funds in relation to the average balance of Customer Funds.	6
INFORMATION PER SHARE	The APMs in this section show information related to each share.			
Book value of the share	Obtained by dividing Equity between the final number of diluted shares and expressed in euros.	Balance sheet accounting entry: Equity	Final number of shares in circulation (diluted): number of shares in circulation during the year, adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt outstanding at year end, excluding the average number of treasury shares held in the same period.	11
Earnings per share	The diluted earnings per share is calculated by dividing the net profit attributable to the Group in the year between the final number of diluted shares.	Profit/loss accounting entry: Profit or (-) loss for the year	Final number of shares in circulation (diluted): number of shares in circulation during the year, adjusted to take into account the potential dilutive effect of stock options, warrants and convertible debt outstanding at year end, excluding the average number of treasury shares held in the same period.	6
Price / book value	It shows the relationship between the market capitalisation and Equity	Balance sheet accounting entry: Equity	Market capitalisation of the share, calculated on the shares in circulation.	11
RISK MANAGEMENT	The APMs of this section show the main ratios used in monitoring risks.			
Non-performing balances Ratio	Ratio between the sum of the balances of doubtful assets plus the balance of doubtful contingent exposures divided by the total risks.	Balance sheet accounting entries: Balances of doubtful assets and the balance of doubtful contingent exposures.	Total Risks: balances of assets on the balance sheet plus the risks and contingent commitments subject to credit risk.	9

APM	Definition (1)	Account Information (2)	Management Information (3)	Section of the Annual Management Report (4)
Coverage ratio of non-performing loans without amortised loans	Proportion of provisions made with respect to the balance qualified as doubtful assets plus the balance of doubtful contingent exposures. It does not include the balances transferred to write-offs	Profit/loss accounting entry: Provisions for insolvency. Balance sheet accounting entry: Total Non-performing loans.		9
Coverage ratio of non-performing loans and amortised loans	Proportion of provisions made with respect to the balance qualified as doubtful assets plus the balance of doubtful contingent exposures. It includes the balances transferred to write-offs	Profit/loss accounting entry: Provisions for insolvency, including the amortised risks, and balance sheet accounting entry: Total non-performing loans plus total amortised risks.		9
Coverage ratio with guarantees	Proportion of provisions made plus the sureties received with respect to the balance of doubtful assets plus the balance of doubtful contingent exposures.	Profit/loss accounting entry: Provisions for insolvency, including the amortised risks, and balance sheet accounting entry: Total non-performing loans plus total amortised risks.	Total value of the sureties: balance which covers the doubtful and non-performing risks' balances.	9
Loan to Deposit Ratio (LTD)	This ratio shows the relationship between financing granted to customers and funds raised from customers	Balance sheet entry: Loans and advances to customers excluding temporary asset acquisitions.	Funds raised from customers: customer funds excluding the temporary Transfer of assets and including other liabilities raised through the branch office network.	9

(1) Conceptual definition of MAR and composition of calculation variables.

(2) MARs variables whose accounting balances are reflected in income and balance sheet accounts.

(3) MARs variables whose accounting balances are not reflected directly in income and balance sheet accounts.

(4) Section of the Annual Management Report in which MARs are included.

DISCLAIMER

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

This financial report contains summarised information and in no case shall its content constitute an offer, invitation or recommendation to subscribe or acquire any security whatsoever, to make or cancel any kind of investments, nor is it intended to serve as a basis for any contract or commitment whatsoever. Its content shall not be considered as any kind of advice.

The consolidated financial statements included herein have not been audited, so are subject to change. Main Business and Real State and Related Business breakdown provided in this report, are presented under management criteria. This report has been prepared from the accounting records of Grupo Banco Popular.

The consolidated financial statements at 31 March 2017 included herein have not been audited, although they were 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 to prepare the audited financial statements presented in the Annual Report for 2016

Notes

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