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Annual Results

Highlights

(Amounts in € thousand)	31.12.07	31.12.06	Var. %	
Business volume				
Total assets managed	125,109,722	109,307,027	14.5	
On-balance sheet total assets	107,169,353	91,650,434	16.9	
Own funds	6,224,338	5,529,203	12.6	
Funds managed:	104,284,333	91,157,636	14.4	
On-balance sheet funds	86,343,964	73,501,043	17.5	
Other intermediated funds	17,940,369	17,656,593	1.6	
Lending to customers (gross)	88,107,868	77,327,856	13.9	
Contingent exposures	12,314,679	11,281,128	9.2	
Solvency				
BIS ratio (%)	9.67	9.87		
Of which: Tier 1 (%)	7.92	8.02		
Risk management				
Total risks	100,422,547	88,608,984	13.3	
Nonperforming loans	834,478	635,537	31.3	
Allowances for credit losses	1,822,353	1,665,060	9.4	
% nonperforming ratio	0.83	0.72		
% coverage (Credit loss allowance/Nonperforming loans)	218.38	261.99		
Earnings				
				Ex-extraordinary
Net interest income	2,338,988	2,067,530	13.1	13.1
Gross income	3,404,492	3,107,483	9.6	10.3
Net operating income	2,245,594	2,016,446	11.4	12.6
Profit before tax	1,943,893	1,723,457	12.8	15.7
Consolidated profit for the year	1,336,560	1,091,215	22.5	26.5
Profit attributed to the Group	1,260,190	1,026,031	22.8	27.1
Net return and efficiency				
Average total assets	98,182,325	83,606,636	17.4	
Average total equity	5,262,817	4,761,291	10.5	
ROA (%)	1.36	1.31		
ROE (%)	23.95	21.55		
Operating efficiency (%)*	30.69	31.23		
Per share data				
Final number of shares (thousands)	1,215,433	1,215,433	-	
Average number of shares (thousands)	1,214,993	1,215,212	(0.01)	
Share closing market price (€)	11.70	13.73	(14.8)	
Market capitalization	14,220,566	16,687,888	(14.8)	
Share book value (€)	5.12	4.55	12.5	
Net earnings per share (€)	1.037	0.844	22.8	
Dividend per share paid in the period (€)	0.4347	0.3758	15.7	
Price/Book value	2.29	3.02		
Price/Earnings (annualized)	11.3	16.3		
Other data				
Shareholders	121,427	106,181	14.4	
Employees	15,038	14,056	7.0	
Spain	13,299	12,636	5.2	
Abroad	1,739	1,420	22.5	
Branches	2,531	2,443	3.6	
Spain	2,283	2,227	2.5	
Abroad	248	216	14.8	
Mundocredit branches	38	1	>	
ATMs	3,426	3,411	0.4	

* Operating costs (net of compensating fees) divided by gross income + non-financial service fee income (net).
The Group's consolidated financial statements as of December 31, 2007, the audit of which is being finalized, have been prepared in accordance with the accounting principles and methods established by the International Financial Reporting Standards adopted by the European Union (IFRS-EU), which are consistent with those used in preparing the audited financial statements in the 2006 Annual Report.

Salient aspects

"Never let the future worry you. If you have to face it, you will do so with the same arms of reason that equip you today against the present."

Marcus Aurelius

Since August 2007 international financial markets have been paralysed by a lack of confidence caused by successive waves of poor results at big foreign banks. This crisis arose from the practice of making risky investments in opaque products connected with the property sector in the United States. The consequences have included most notably the shutdown of wholesale funding markets, massive drops in stock exchanges, credit restrictions and a contractive impact on the economies of the developed countries. This situation has accelerated the slowdown of the property sector in Spain.

In this restrictive environment, Banco Popular Group has reaped the fruits of the prudent strategy it has followed in the last two years of:

1. Strengthening its sources of funding.
2. Reducing dependence on the property sector.
3. Stricter selectivity in assuming credit risks.

As a result, the Group was able to achieve record growth in net interest income of nearly 15.9% in the fourth quarter of 2007 by comparison with the same quarter in 2006. If dividends are eliminated, the growth rates are 8.3% in the first quarter, 12.8% in the second quarter, 13.5% in the third quarter and 15.1% in the fourth quarter, evidencing clear and sustained acceleration; cumulatively, the annual growth was 13.1%. This trend will foreseeably continue in 2008, with signs of a strengthening of the evolution of net interest income.

Banco Popular Group continued to dynamise the attraction of customer funds, which were up 17.4% year on year driven by a rise of 35.1% in time deposits and of 21.8% in domestic commercial paper, strengthening the trend evident in the previous quarter. Thanks to the dynamic strength of traditional deposits, which were up 26.9% in the fourth quarter alone, compared with the previous quarter, and to the lower growth in lending, in the fourth quarter the commercial gap was closed completely with a surplus of €1,032 million of customer funding over credit requirements. Despite this commercial surplus, the Group continued to permit, for reasons of prudence in the face of the uncertain international financial situation, the entry of additional wholesale funding, thus even further strengthening the second line of liquidity, which was however not used because the Bank did not participate in the auctions of the European Central Bank; the remaining excess liquidity was placed in short-term operations of low credit risk.

At 2007 year end the Group's second line of liquidity exceeded €11,000 million, far higher than the aggregate amount of long-term instrument maturities plus possible commercial requirements in 2008, making it possible to engage in commercial activity without restrictions. Nevertheless, as long as the uncertainty and high costs in the wholesale markets persist, the Group will continue to strengthen this second line of liquidity and will persevere in its efforts to completely close the commercial gap.

The measures of prudence in view of the year-end international uncertainty may be flexibilised during 2008 thanks to the reinforcement of the Group's financial position. This new scenario should have a positive impact on the net interest margin on average assets, which in the fourth quarter by itself decreased by only 3 basis points compared with the previous quarter, despite the difficulties in the financial markets referred to earlier.

The gradual slowdown of lending to the property sector initiated by the Bank in 2006 continued in 2007, with annual growth rates of 10.5% in Spain and 11.4% including the banking subsidiaries in Portugal, USA and France. Total credit was up 13.9% as a result of the 23.5% rise in non-mortgage loans and credits (other term loans).

The foregoing figures clearly show that the Bank's reaction to the crisis in the markets was not to restrict lending to customers but to continue the strategy initiated two years earlier, plus the inevitable additional measures of prudence to address a change in the economic cycle.

Gross income grew by nearly 10% (10.3% adjusted for extraordinary income in 2006) despite the fact that fees were affected by the weakness of the mutual funds, the performance of which was nevertheless comparatively better than the sector as a whole in Spain, and by the one-time rise in the fees paid for commercial-purpose activities. The gross income was also affected by the Group's self-imposed restriction on the sale of certain financial products of difficult evaluation for many customers in the complex situation of the markets in the fourth quarter.

Following the previously announced criterion of strengthening investments and expenditure focused on activity development and enhancement, the non-repetitive acceleration of general expenses continued in 2007 - in order to boost manoeuvrability in 2008 - with year-on-year growth of 7.6% and of 14.1% in the fourth quarter in isolation. Nevertheless, the net operating income was up 11.4% (12.6% adjusted for extraordinary income in 2006).

The €1,260 million of attributed profit was 22.8% higher. This excellent result was achieved even though extraordinary income was even lower than in 2006, signifying that Banco Popular Group continues to present earnings based on its ordinary activity without any noteworthy extraordinary income and they are, therefore, earnings of a sustainable upward trend.

The non-performing loans ratio stood at 0.83%, an increase of 11 basis points in the year, due to a moderate rise in delinquency and lower growth in risks. For the Bank's activities in Spain, the rate was 0.75%, 7 basis points higher year on year. The allowance coverage was 218.4% of nonperforming balances; for Spain it was 241.1%.

The efficiency ratio again improved to 30.69%, 54 basis points lower than in 2006. The ROE was 240 basis points higher at 23.95% and the ROA was 5 basis points up at 1.36%.

The slowdown in credit made it possible to start generating capital, for the first time in many years, partially offsetting the capital requirement for the purchase of the U.S. bank TotalBank, which was included in the Group's consolidated financial statements in the last quarter.

Analysis of the fourth quarter of 2007 highlights the strengths with which the Bank addresses 2008: expansion of net interest income, flexibility arising from financial strength, growing credit margins, a rapidly decreasing commercial gap, and substantial coverage of risks with excellent guarantees.

The Bank has readied itself for the change of cycle and its executives are convinced that it will be able to continue generating sound earnings by applying the same principles of management that have enabled it to cope successfully with the past situation.

Balance Sheet

(Amounts in € thousand)

	31.12.07	31.12.06	% variation
Assets			
Cash and balances with central banks	1,955,178	1,502,261	30.1
Financial assets held for trading	1,173,709	2,588,379	(54.7)
Other financial assets at fair value through profit or loss	500,157	400,252	25.0
Available-for-sale financial assets	4,211,248	697,392	>
Loans and receivables	96,739,984	84,144,648	15.0
Loans and advances to other debtors	86,642,378	75,897,896	14.2
Other loans and receivables	10,097,606	8,246,752	22.4
Held-to-maturity investments	562	441	27.4
Hedging derivatives	115,615	205,752	(43.8)
Non-current assets held for sale	228,125	129,034	76.8
Investments	20,393	17,488	16.6
Insurance contracts linked to pensions	206,213	223,846	(7.9)
Reinsurance assets	3,856	3,866	(0.3)
Tangible assets	729,573	707,359	3.1
Intangible assets	524,792	369,232	42.1
Tax assets	526,188	555,969	(5.4)
Prepayments and accrued income	65,365	23,143	>
Other assets	168,395	81,372	>
Total Assets	107,169,353	91,650,434	16.9
Liabilities			
Financial liabilities held for trading	670,365	511,239	31.1
Other financial liabilities at fair value through profit or loss	37,016	43,830	(15.5)
Financial liabilities at amortised cost:	96,281,116	82,440,853	16.8
Deposits from credit institutions	9,421,401	8,393,081	12.3
Deposits from other creditors	42,661,584	36,941,191	15.5
Debt certificates including bonds	41,887,843	35,096,737	19.4
Subordinated liabilities	1,356,000	1,023,156	32.5
Other financial liabilities	954,288	986,688	(3.3)
Hedging derivatives	812,958	338,695	>
Insurance contract liabilities	970,189	844,410	14.9
Provisions for contingent exposures	467,005	495,528	(5.8)
Tax liabilities	251,998	232,960	8.2
Accrued expenses and deferred income	302,222	317,450	(4.8)
Other liabilities	297,371	70,929	>
Capital having the nature of a financial liability	438,537	439,959	(0.3)
Total liabilities	100,528,777	85,735,853	17.3
Equity			
Minority interests	402,270	361,178	11.4
Valuation adjustments	13,968	24,200	(42.3)
Own funds	6,224,338	5,529,203	12.6
Capital, reserves and retained earnings	5,260,024	4,753,413	10.7
Profit or loss for the period	1,260,190	1,026,031	22.8
Dividends paid and declared	(295,876)	(250,241)	18.2
Total equity	6,640,576	5,914,581	12.3
Total liabilities and equity	107,169,353	91,650,434	16.9
<i>Memorandum items:</i>			
Contingent exposures	12,314,679	11,281,128	9.2
Contingent commitments	20,678,554	19,023,187	8.7

Business Performance

The Banco Popular Group's figures at 2007 year end were the outcome of its clearly commercial focus. At 31 December 2007, the total on-balance sheet assets of €107,169 million were €15,519 million higher than twelve months earlier, a growth rate of 16.9%. Including off-balance sheet customer funds the total volume of assets managed by the Group was €125,110 million.

The loans and advances to other debtors represented 82.2% of the balance sheet, a percentage in line with the banking model focused on financial intermediation with customers. Noteworthy was the energetic 23.5% growth of unsecured loans and credits. Trade loans and discounts, on the other hand, had an apparent rise of 2.8%, due to non-comparable maturities at the end of 2006 and 2007. Eliminating this effect, the growth of trade loans and discounts would be 7.5%.

In 2007 mortgage loans grew by 11.4%, a much lower increase than that in other loans and credits. The evolution of this item in recent months evidences the effort initiated several years ago to reduce dependence on this caption.

For the first time in many years the commercial gap contracted, due to the fact that the growth of customer funds (17.4%) was much higher than the growth of lending (13.9%). This funding was driven by time deposits, domestic commercial paper and demand deposits, which were up year on year by 35.1%, 21.8% and 7.3%, respectively. Also noteworthy was the good performance of pension plans, the balance of which was up 7.4%, and that of mutual funds which, although staying stable, enabled the Group to raise its market share in Spain from 4.6% at 31 December 2006 to 4.9% at 31 December 2007. This increase in market share was made possible by the fact that banks and savings banks in Spain as a whole experienced an appreciable decrease in the inflows to mutual funds.

Wholesale funding – interbank borrowing, Euro commercial paper, bonds, securitisation and covered bonds – provided 40% of borrowed funds, compared with the 58% of customer liabilities. The remaining 2% of borrowed funds consisted of preferred equity interests ("participaciones") and subordinated debt.

At 31 December 2007, the balance of doubtful receivables was €834 million; this was €199 million more than at the same date in 2006. As a result, the nonperforming ratio, i.e. doubtful assets as a percentage of total risks (loans and discounts plus contingent exposures), stood at 0.83%, an increase of 11 basis points in the last twelve months.

Finally, the Group's solvency remains at high levels. The BIS capital ratio is 9.67% and its composition continues to be of high quality, since at 2007 year end the core capital represented 6.47%. The acquisition of TotalBank called for a core capital requirement of 22 basis points, partially offset by the generation of capital arising from the lower growth of lending and the increase in profit.

Funds Managed

(Amounts in € thousand)

	31.12.07	31.12.06	% variation
Unadjusted customer deposits	42,766,229	36,760,932	16.3
General government	6,092,873	2,929,496	>
Other private sectors	36,673,356	33,831,436	8.4
Residents	31,015,565	28,553,896	8.6
Nonresidents	5,657,791	5,277,540	7.2
Valuation adjustments (+/-)	(104,645)	180,259	
Total customer deposits	42,661,584	36,941,191	15.5
Unadjusted debt certificates including bonds:	41,814,696	34,976,930	19.5
Bonds and other securities outstanding . .	26,203,705	24,878,023	5.3
Commercial paper	15,610,991	10,098,907	54.6
Valuation adjustments (+/-)	73,147	119,807	(38.9)
Total debt certificates including bonds	41,887,843	35,096,737	19.3
Subordinated liabilities	1,356,000	1,023,156	32.5
Capital having the nature of a financial liability	438,537	439,959	(0.3)
Total on-balance sheet funds (a)	86,343,964	73,501,043	17.5
Mutual funds	12,097,212	12,130,633	(0.3)
Asset portfolio management	1,571,305	1,550,041	1.4
Pension funds	4,271,852	3,975,919	7.4
Total other intermediated funds (b) . .	17,940,369	17,656,593	1.6
Total funds managed (a+b)	104,284,333	91,157,636	14.4

Customer deposits

(Amounts in € thousand)

	31.12.07	31.12.06	% variation
Demand deposits	15,360,499	14,314,835	7.3
Savings deposits	5,578,768	5,966,747	(6.5)
Time deposits	18,300,051	13,547,320	35.1
Asset repos	3,247,111	2,609,588	24.4
Other accounts	279,800	322,442	(13.2)
Domestic commercial paper	10,806,188	8,869,242	21.8
Total	53,572,417	45,630,174	17.4

Lending to customers

(Amounts in € thousand)

	31.12.07	31.12.06	% variation
Lending to general government	129,943	114,331	13.7
Lending to other private sectors	87,977,925	77,213,525	13.9
Residents.	79,550,141	69,977,356	13.7
Nonresidents.	8,427,784	7,236,169	16.5
Total lending to customers	88,107,868	77,327,856	13.9
Valuation adjustments (+/-)	(1,465,490)	(1,429,960)	2.5
Total	86,642,378	75,897,896	14.2

Lending to customers by type

(Amounts in € thousand)

	31.12.07	31.12.06	% variation
Trade loans and discounts	7,709,354	7,497,041	2.8
Secured loans	47,086,454	42,268,412	11.4
Mortgage loans	46,860,392	42,046,914	11.4
Other.	226,062	221,498	2.1
Asset repos	2	-	>
Other term loans	26,338,589	21,327,972	23.5
Finance leases	3,788,261	3,622,224	4.6
Overdrafts and other	2,364,628	2,001,351	18.2
Doubtful assets.	820,580	610,851	34.3
Total lending to private sectors	88,107,868	77,327,856	13.9

Risk Management Performance*

(Amounts in € thousand)

	31.12.07	31.12.06	Variation	
			Amount	%
Nonperforming loans:				
Balance at 1 January	635,537	591,043	44,494	7.5
Additions	847,097	651,223	195,874	30.1
Recoveries	423,345	434,908	(11,563)	(2.7)
Other changes	1,309	3,591	(2,282)	(63.5)
Net variation	425,061	219,906	205,155	93.3
% increase	66,9	37,2		
Writeoffs	(226,120)	(175,412)	(50,708)	28.9
Balance at 31 December	834,478	635,537	198,941	31.3
Allowance for credit losses:				
Balance at 1 January	1,665,060	1,469,927	195,133	13.3
Annual provision:				
Gross	558,572	448,672	109,900	24.5
Recoveries	(184,664)	(82,438)	(102,226)	>
Net	373,908	366,234	7,674	2.1
Other variations	(12,954)	1,195	(14,149)	
Writeoffs	(203,661)	(172,296)	(31,365)	18.2
Balance at 31 December	1,822,353	1,665,060	157,293	9.5
Memorandum items:				
Total risks	100,422,547	88,608,984	11,813,563	13.3
Loans transferred to suspense accounts	312,142	1,162,633	(850,491)	(73.2)
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	0.83	0.72	0.11	
Insolvency (Writeoffs/Total risks)	0.23	0.20	0.03	
Coverage (Credit loss allowance/Nonperforming loans)	218.38	261.99	(43.61)	

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

Credit loss allowances	Specific	General	Country risk	Total
Balance at 1 January	228,729	1,431,654	4,677	1,665,060
Net provisions	228,393	145,718	(203)	373,908
Amount used	203,661	-	-	203,661
Other variations and transfers	(12,989)	33	2	(12,954)
Balance at 31 December	240,472	1,577,405	4,476	1,822,353

Solvency

(Amounts in € thousand)	31.12.07	31.12.06	% variation
Capital	121,543	121,543	-
Reserves	5,145,958	4,630,678	11.1
Minority interests	334,922	303,679	10.3
Retained earnings in the period	705,090	551,450	27.9
Deductions	(555,303)	(405,629)	36.9
Total core capital	5,752,210	5,201,721	10.6
<i>Core capital (%)</i>	<i>6.47</i>	<i>6.74</i>	
Preferred shares and equity interests	1,288,000	988,000	30.4
Total Tier 1 Capital	7,040,210	6,189,721	13.7
<i>Tier 1 ratio (%)</i>	<i>7.92</i>	<i>8.02</i>	
Total Tier 2 Capital	1,552,135	1,423,614	9.0
BIS computable capital	8,592,345	7,613,335	12.9
Capital cushion	1,482,151	1,442,123	2.8
<i>BIS ratio (%)</i>	<i>9.67</i>	<i>9.87</i>	
<i>Memorandum item:</i>			
Total BIS risk-weighted assets	88,877,415	77,140,156	15.2

Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Adjusted balance at 31.12.2005	4,989,779	14,785	342,455	5,347,019
Treasury stock	(1,445)	-	-	(1,445)
Consolidation adjustments (net)	(12,740)	-	(15,291)	(28,031)
Valuation adjustments	-	9,415	105	9,520
2006 net profit	1,026,031	-	65,184	1,091,215
Dividends paid in 2006	(472,422)	-	(31,275)	(503,697)
Balance at 31.12.2006	5,529,203	24,200	361,178	5,914,581
Treasury stock	(8,382)	-	-	(8,382)
Consolidation adjustments (net)	(5,436)	-	(4,217)	(9,653)
Valuation adjustments	-	(10,232)	(230)	(10,462)
Profit 1st half 2007	1,260,190	-	76,370	1,336,560
Dividends paid in 2007	(551,237)	-	(30,831)	(582,068)
Balance at 31.12.2007	6,224,338	13,968	402,270	6,640,576

Consolidated Income

The net interest income was €2,339 million at 31 December 2007, a year-on-year growth rate of 13.1% amply exceeding the 2006 rate of 9.5%. The strength of net interest income is based on the quality of the typical banking activity, which evolved very positively during 2007. Thus, individual comparison of each quarter in 2007 with the same quarter in 2006 shows that there were increases in net interest income of 10.4%, 14.2%, 12.0% and 15.9%, respectively. Excluding the income from capital instruments (dividends) the growth rates were 8.3%, 12.8%, 13.5% and 15.1%, respectively. Despite the turmoil in the money markets during the second half of 2007, net interest income continued to perform excellently thanks to the successful management of lending and borrowed funds.

The net fee and commission income amounted to €884 million at 2007 year end, with uneven performance during the year: those for Asset transaction services (up 7.5%) and Other items (up 9.3%) being those with highest growth in 2007. The total figure was slightly higher than that in 2006.

Gains on financial assets and liabilities increased by 20.9% as a result of the substantial activity applied in the distribution of structured products among the customers. If the extraordinary income is eliminated both in 2007 and 2006, the gains on financial assets and liabilities in 2007 were more than double those obtained in 2006, evidencing their good quality and the dynamic commercial management.

Gross income, encompassing all the Group's financial activity (banking business and insurance), amounted to €3,404 million at 31 December 2007, a rise of 9.6% year on year, and of 10.3% disregarding the atypical earnings referred to in the preceding paragraph.

Personnel and administrative expenses in the operating costs caption grew by 7.2% in 2007. Personnel expenses were up 7.1% as a result of the Group's new remuneration policy and the increase in hires of new staff because of the expansion of the branch network. General expenses were 7.6% higher, strongly influenced by those aimed at strengthening the future business and those relating to adaptation to the new Basel regulations and to MIFID, SEPA, etc. requirements, as reflected in the "Technical resources" and "Technical reports and legal expenses" captions, the first of which is the most important item of general expenses, representing 20.8% of the total.

The efficiency ratio, one of the signs distinguishing the Group from its competitors, improved for yet another year, with a decrease of 54 basis points to 30.69%.

The net operating income of €2,246 million at the end of December 2007 was 11.4% higher than at the same date in 2006. Excluding the effect of extraordinary income, the growth of net operating income rose to 12.6%.

The losses for impairment of assets amounted to €323 million, mostly relating to credit risk, a slight increase of 4.4% over 2006. Accordingly, the implicit credit risk premium was 0.4% of the average balance of lending to customers. At 31 December 2007, the general allowance of €1,577 million had practically reached the maximum limit envisaged under current regulations.

The pre-tax profit of €1,944 million in 2007 was 12.8% higher year on year. The profit attributed to the Banco Popular Group amounted to €1,260 million in 2007, a year-on-year increase of 22.8%.

The earnings per share of €1.037 in 2007 were 22.8% higher than in 2006. The ROE at 31 December 2007 was 23.95%, i.e. higher than the 21.55% at the same date in 2006, and the ROA was 1.36%, compared with 1.31% one year earlier.

Consolidated income and profitability

(Amounts in € thousand)

(Annualized % of ATA)

	31.12.07	31.12.06	% variation	31.12.07	31.12.06	Variation
Interest and similar income	5,213,058	3,719,559	40.2	5.31	4.45	0.86
- Interest expense and similar charges	2,929,511	1,689,034	73.4	2.98	2.02	0.96
+ Return on equity instruments	55,441	37,005	49.8	0.05	0.04	0.01
=Net interest income	2,338,988	2,067,530	13.1	2.38	2.47	(0.09)
+ Share of profit or loss of equity method companies	3,920	3,097	26.6	0.01	-	0.01
+ Net fees and commissions	883,586	880,579	0.3	0.90	1.05	(0.15)
+ Insurance business	53,377	45,163	18.2	0.06	0.06	-
± Gains or losses on financial assets and liabilities (net)	72,455	59,948	20.9	0.07	0.08	(0.01)
± Exchange differences (net)	52,166	51,166	2.0	0.05	0.06	(0.01)
=Gross income	3,404,492	3,107,483	9.6	3.47	3.72	(0.25)
+ Non-financial service fee income (net)	39,731	34,474	15.2	0.04	0.04	-
- Operating costs:	1,055,262	979,254	7.8	1.07	1.17	(0.01)
Personnel expenses	755,862	705,971	7.1	0.77	0.84	(0.07)
Other general administrative expenses	352,297	327,453	7.6	0.36	0.39	(0.03)
Compensating fees and other income	(52,897)	(54,170)	(2.4)	(0.06)	(0.06)	-
- Depreciation	100,211	103,130	(2.8)	0.10	0.13	(0.03)
- Other operating expenses	43,156	43,127	0.1	0.05	0.05	-
=Net Operating income	2,245,594	2,016,446	11.4	2.29	2.41	(0.12)
- Losses from impairment of assets and other provisions to allowances (net)	342,173	348,926	(1.9)	0.35	0.42	(0.07)
± Other gains or losses (net)	40,472	55,937	(27.6)	0.04	0.07	(0.03)
== Profit or loss before tax	1,943,893	1,723,457	12.8	1.98	2.06	(0.08)
- Income tax	607,333	632,242	(3.9)	0.62	0.75	(0.13)
=Consolidated profit or loss for the period	1,336,560	1,091,215	22.5	1.36	1.31	0.05
- Profit or loss attributed to minority interests.	76,370	65,184	17.2	0.08	0.08	-
=Profit or loss attributed to the Group	1,260,190	1,026,031	22.8	1.28	1.23	0.05
Net return on average risk-weighted assets (RORWA) (%)				1.60	1.46	0.14
Net return on average equity (ROE) (%)				23.95	21.55	2.40
Leverage				17.59	16.51	1.08
Operating efficiency (%)				30.69	31.23	(0.54)
<i>€ million:</i>						
Average total assets				98,182	83,607	14,575
Risk-weighted average total assets (RWA)				83,251	74,836	8,415
Average total equity				5,263	4,761	502

Quarterly Consolidated Income

(Amounts in € thousand)

	2007			
	1st	2nd	3rd	4th
Interest and similar revenues	1,133,972	1,243,220	1,357,083	1,478,783
- Interest and similar charges	597,751	677,717	773,621	880,422
+ Revenues from capital instruments	16,677	18,688	9,857	10,219
= Net interest revenue	552,898	584,191	593,319	608,580
+ Revenues from equity method entities	666	2,718	76	460
+ Net fees	225,828	217,266	214,000	226,492
+ Insurance business	13,813	12,941	11,482	15,141
± Asset trading and exchange profits (net)	19,939	28,610	12,617	11,289
± Exchange gains (net)	11,937	12,660	14,943	12,626
= Gross income	825,081	858,386	846,437	874,588
+ Non-financial service fee revenues (net)	10,215	9,440	8,915	11,161
- Operating costs:				
Personnel expenses	182,869	183,108	193,561	196,324
Other general administrative expenses	81,371	86,510	91,298	93,118
Other revenues (compensating fees)	(14,905)	(13,600)	(11,494)	(12,898)
- Depreciation	24,577	24,517	24,902	26,215
- Other operating expenses	10,751	10,760	10,792	10,853
= Net Operating income	550,633	576,531	546,293	572,137
- Losses from impairment of assets and provisions to allowances (net)	110,443	80,651	69,187	81,892
± Other income (net)	6,107	5,690	13,498	15,177
= Profit before tax	446,297	501,570	490,604	505,422
- Corporate income tax provision	140,505	157,064	154,558	155,206
= Consolidated profit for the year	305,792	344,506	336,046	350,216
- Income attributed to minority interests	18,157	19,221	19,913	19,079
= Profit attributed to the Group	287,635	325,285	316,133	331,137

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

Quarterly Profitability

(Annualized % of ATA)

	2006				2007			
	I	II	III	IV	I	II	III	IV
Interest and similar income	4.20	4.32	4.53	4.72	4.95	5.17	5.40	5.67
- Interest expense and similar charges	1.70	1.90	2.08	2.36	2.61	2.82	3.08	3.38
+ Return on equity instruments	0.03	0.05	0.07	0.02	0.07	0.08	0.04	0.04
= Net interest income	2.53	2.47	2.52	2.38	2.41	2.43	2.36	2.33
+ Share of profit or loss of equity method companies	-	-	-	0.01	-	0.01	-	-
+ Net fees and commissions	1.05	1.02	1.06	1.08	0.99	0.90	0.85	0.87
+ Insurance business	0.05	0.04	0.05	0.07	0.06	0.05	0.05	0.06
± Gains or losses on financial assets and liabilities (net)	0.01	0.05	0.15	0.08	0.09	0.12	0.05	0.04
± Exchange differences (net)	0.06	0.06	0.07	0.06	0.05	0.05	0.06	0.05
= Gross income	3.70	3.64	3.85	3.68	3.60	3.57	3.37	3.36
+ Non-financial service fee income (net)	0.04	0.05	0.04	0.04	0.05	0.04	0.03	0.04
- Operating costs:								
Personnel expenses	0.87	0.83	0.86	0.83	0.80	0.76	0.77	0.75
Other general administrative expenses	0.41	0.41	0.38	0.37	0.36	0.36	0.36	0.36
Other income (compensating fees)	(0.08)	(0.07)	(0.06)	(0.06)	(0.07)	(0.06)	(0.05)	0.05
- Depreciation	0.13	0.12	0.13	0.12	0.11	0.10	0.10	0.10
- Other operating expenses	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04
= Net operating income	2.36	2.35	2.53	2.41	2.40	2.40	2.17	2.19
- Losses from impairment of assets and other provisions to allowances (net)	0.51	0.31	0.35	0.51	0.48	0.34	0.27	0.31
± Other gains or losses (net)	0.11	0.07	0.01	0.08	0.03	0.02	0.05	0.06
= Profit or loss before tax	1.96	2.11	2.19	1.98	1.95	2.08	1.95	1.94
- Income tax	0.65	0.70	0.73	0.93	0.62	0.65	0.61	0.60
= Consolidated profit or loss for the period	1.31	1.41	1.46	1.05	1.33	1.43	1.34	1.34
- Profit or loss attributed to minority interests	0.08	0.09	0.08	0.06	0.08	0.08	0.08	0.07
= Profit or loss attributed to the Group	1.23	1.32	1.38	0.99	1.25	1.35	1.26	1.27
Net return on average risk-weighted assets (RORWA) (%)	1.44	1.56	1.62	1.22	1.55	1.67	1.59	1.61
Net return on average equity (ROE) (%)	20.45	23.03	24.36	18.35	21.85	24.71	24.05	25.18
Leverage	15.58	16.34	16.70	17.42	16.39	17.26	17.98	18.74
Operating efficiency (%)	32.24	31.65	30.52	30.62	29.90	29.54	32.01	31.28
<i>€ million:</i>								
Average total assets	79,132	82,987	84,202	88,106	91,732	96,250	100,482	104,266
Risk-weighted average total assets (RWA)	72,208	75,072	75,778	76,287	79,056	82,343	84,513	87,094
Average total equity	4,764	4,764	4,759	4,760	5,267	5,266	5,259	5,261

Yields and Costs

(Amounts in € thousand and rates annualized)

	31.12.07				31.12.06			
	Average balance	Distribution (%)	Income or expense	Average rate (%)	Average balance	Distribution (%)	Income or expense	Average rate (%)
Financial system	8,152,930	8.30	319,498	3.92	7,348,453	8.79	214,462	2.92
Lending to customers (a)	81,584,544	83.09	4,777,147	5.86	70,289,046	84.07	3,484,037	4.96
Securities portfolio	2,703,790	2.75	159,416	5.90	730,417	0.87	49,820	6.82
Other earning assets	343,808	0.35	12,438	3.62	350,860	0.42	8,245	2.35
<i>Total earning assets(b)</i>	<i>92,785,072</i>	<i>94.49</i>	<i>5,268,499</i>	<i>5.68</i>	<i>78,718,776</i>	<i>94.15</i>	<i>3,756,564</i>	<i>4.77</i>
Other assets	5,397,253	5.51	-	-	4,887,860	5.85	-	-
Total assets (c)	98,182,325	100.00	5,268,499	5.36	83,606,636	100.00	3,756,564	4.49
Financial system	9,715,330	9.90	359,016	3.70	11,441,814	13.69	306,721	2.68
Customer funds (d)	36,165,969	36.84	802,061	2.22	34,214,938	40.92	523,739	1.53
Demand accounts	13,197,817	13.44	149,825	1.14	12,813,846	15.33	86,125	0.67
Savings and time deposits	22,968,152	23.40	652,236	2.84	21,401,092	25.59	437,614	2.04
Marketable debt securities & other	41,400,175	42.17	1,754,252	4.24	28,600,949	34.21	851,405	2.98
Other interest-bearing liabilities	325,324	0.33	14,182	4.36	355,590	0.43	7,169	2.02
<i>Total interest-bearing liabilities (e)</i>	<i>87,606,798</i>	<i>89.24</i>	<i>2,929,511</i>	<i>3.34</i>	<i>74,613,291</i>	<i>89.25</i>	<i>1,689,034</i>	<i>2.26</i>
Other non-interest-bearing liabilities	5,312,710	5.40	-	-	4,232,054	5.06	-	-
Equity	5,262,817	5.36	-	-	4,761,291	5.69	-	-
Total liabilities and equity (f)	98,182,325	100.00	2,929,511	2.98	83,606,636	100.00	1,689,034	2.02
<i>Customer spread (a-d)</i>				<i>3.64</i>				<i>3.43</i>
<i>Spread (b-e)</i>				<i>2.34</i>				<i>2.51</i>
<i>Net interest margin (c-f)</i>				<i>2.38</i>				<i>2.47</i>

Quarterly Yields and Costs

(Data in % and rates annualized)

	1st		2nd		3rd		4th	
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate
Financial system	8.07	3.70	8.60	3.65	8.31	4.21	8.24	4.08
Loans and discounts (a)	84.23	5.46	83.55	5.72	82.91	5.94	81.85	6.26
Securities portfolio	1.42	7.65	1.88	7.27	3.08	5.10	4.42	5.40
Other earning assets	0.39	2.69	0.36	4.54	0.33	3.59	0.33	3.68
<i>Total earning assets(b)</i>	<i>94.11</i>	<i>5.33</i>	<i>94.39</i>	<i>5.56</i>	<i>94.63</i>	<i>5.75</i>	<i>94.84</i>	<i>6.02</i>
Other assets	5.89	-	5.61	-	5.37	-	5.16	-
Total assets (c)	100.00	5.02	100.00	5.25	100.00	5.44	100.00	5.71
Financial system	9.71	3.48	9.90	3.46	10.05	3.83	9.91	3.97
Customer funds (d)	38.64	1.89	36.62	2.02	35.79	2.26	36.46	2.66
Demand accounts	14.52	0.98	13.32	0.94	12.84	1.10	13.18	1.51
Savings and time deposits	24.12	2.45	23.30	2.64	22.95	2.91	23.27	3.31
Marketable debt securities & other	40.61	3.76	42.46	4.04	42.87	4.37	42.59	4.70
Other interest-bearing liabilities	0.37	2.45	0.34	5.75	0.32	4.31	0.30	5.01
<i>Total interest-bearing liabilities (e)</i>	<i>89.33</i>	<i>2.92</i>	<i>89.32</i>	<i>3.15</i>	<i>89.03</i>	<i>3.46</i>	<i>89.26</i>	<i>3.78</i>
Other non-interest-bearing liabilities	4.93	-	5.21	-	5.74	-	5.69	-
Equity	5.74	-	5.47	-	5.23	-	5.05	-
Total liabilities and capital (f)	100.00	2.61	100.00	2.82	100.00	3.08	100.00	3.38
<i>Customer spread (a-d)</i>		<i>3.57</i>		<i>3.70</i>		<i>3.68</i>		<i>3.60</i>
<i>Spread (b-e)</i>		<i>2.41</i>		<i>2.41</i>		<i>2.29</i>		<i>2.24</i>
<i>Net interest margin (c-f)</i>		<i>2.41</i>		<i>2.43</i>		<i>2.36</i>		<i>2.33</i>

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

Net Fee and Commission Income

(Amounts in € thousand)

	31.12.07	31.12.06	% variation	Distribution (%)	
				2007	2006
Asset transaction service fees:	107,216	99,750	7.5	12.1	11.3
Bill discounting	47,038	46,109	2.0	5.3	5.2
Other	60,178	53,641	12.2	6.8	6.1
Provision of guarantees and other sureties	127,894	132,281	(3.3)	14.4	15.0
Operating services:	648,476	648,548	0.0	73.5	73.7
Collection and payment handling	220,536	239,636	(8.0)	25.0	27.2
Securities and foreign currency purchases and sales	26,101	21,599	20.8	3.0	2.5
Customer financial asset management:	247,042	240,774	2.6	28.0	27.4
Securities portfolios and asset management	32,136	30,020	7.1	3.6	3.4
Mutual funds	159,446	160,856	(0.9)	18.1	18.3
Pension plans	55,460	49,898	11.2	6.3	5.7
Administration of demand deposits	101,999	98,226	3.8	11.5	11.2
Other	52,798	48,313	9.3	6.0	5.5
Total	883,586	880,579	0.3	100.0	100.00

	2007			
	1st	2nd	3rd	4th
Asset transaction service fees:	26,301	25,739	26,031	29,145
Bill discounting	11,890	11,812	11,810	11,526
Other	14,411	13,927	14,221	17,619
Provision of guarantees and other sureties	30,948	31,215	31,965	33,766
Operating services:	168,579	160,312	156,004	163,581
Collection and payment handling	55,351	54,853	55,540	54,792
Securities and foreign currency purchase and sale transactions	7,208	6,416	6,871	5,606
Customer financial asset management:	60,857	63,229	58,644	64,312
Securities portfolio	7,188	8,732	7,253	8,963
Mutual funds	40,282	40,645	37,389	41,130
Pension plans	13,387	13,852	14,002	14,219
Administration of demand deposits	26,088	23,941	24,387	27,583
Other	19,075	11,873	10,562	11,288
Total	225,828	217,266	214,000	226,492

Personnel and general expenses

(Amounts in € thousand)

	31.12.07	31.12.06	% variation	Distribution (%)	
				2007	2006
Personnel expenses:	755,862	705,971	7.1	68.2	68.3
Wages and salaries	571,205	536,791	6.4	51.5	51.9
Social security charges	138,386	128,891	7.4	12.5	12.5
Other personnel expenses	21,051	17,229	22.2	1.9	1.7
Pensions	25,220	23,060	9.4	2.3	2.2
General expenses:	352,297	327,453	7.6	31.8	31.7
Rents and common services	55,838	51,937	7.5	5.0	5.0
Communications	25,957	28,270	(8.2)	2.4	2.7
Maintenance of premises and equipment	23,633	23,787	(0.6)	2.1	2.3
IT and other technical expenses	73,447	67,330	9.1	6.6	6.5
Stationery and office supplies	7,964	7,746	2.8	0.7	0.8
Technical reports and legal expenses	17,523	11,640	50.5	1.6	1.1
Advertising and publicity	38,746	37,772	2.6	3.5	3.7
Insurance	4,528	4,570	(0.9)	0.4	0.5
Security and fund transport services	18,966	19,033	(0.4)	1.7	1.8
Travel	12,990	11,765	10.4	1.2	1.1
Property taxes, VAT and other	51,899	44,543	16.5	4.7	4.3
Other general expenses	20,806	19,060	9.2	1.9	1.9
Total	1,108,159	1,033,424	7.2	100.0	100.0

	2007			
	1st	2nd	3rd	4th
Personnel expenses:	182,869	183,108	193,561	196,324
Wages and salaries	137,461	138,880	145,866	148,998
Social security charges	33,346	33,746	35,457	35,837
Other personnel expenses	4,967	5,359	4,733	5,992
Pensions	7,095	5,123	7,505	5,497
General expenses:	81,371	86,510	91,298	93,118
Rents and common services	13,679	13,348	13,953	14,858
Communications	6,472	6,382	6,037	7,066
Maintenance of premises and equipment	5,880	5,885	5,794	6,074
IT and other technical expenses	18,120	18,446	19,070	17,811
Stationery and office supplies	2,269	1,867	1,591	2,237
Technical reports and legal expenses	3,323	4,264	3,759	6,177
Advertising and publicity	6,677	9,444	13,471	9,154
Insurance	1,001	1,327	1,048	1,152
Security and fund transport services	4,528	4,831	5,102	4,505
Travel	2,948	3,349	2,804	3,889
Property taxes, VAT and other	11,461	12,579	13,898	13,961
Other general expenses	5,013	4,788	4,771	6,234
Total	264,240	269,618	284,859	289,442

Information by segment

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

The information by geographical segment is as follows:

	31.12.07		31.12.06		% variation	
	Spain	Portugal	Spain	Portugal	Spain	Portugal
Net interest income	2,179,546	159,442	1,909,414	158,116	14.1	0.8
Gross income	3,192,303	212,189	2,898,903	208,580	10.1	1.7
Net operating income	2,136,032	109,562	1,900,647	115,799	12.4	(5.4)
Profit before tax	1,863,031	80,862	1,648,773	74,684	13.0	8.3
Consolidated profit	1,275,094	61,466	1,036,850	54,365	23.0	13.1
Profit attributed to the Group	1,200,949	59,241	972,666	53,365	23.5	11.0
Total assets	99,286,113	7,883,240	85,367,702	7,420,836	17.9	6.2
Total liabilities and equity	103,526,577	3,642,776	88,304,307	4,484,231	17.2	8.9
Intra-group financing	4,240,464	(4,240,464)	2,936,605	(2,936,605)	4.1	4.1
Number of employees	13,698	1,340	12,773	1,283	7.2	4.4
Number of branch offices	2,311	220	2,243	200	3.0	10.0

The breakdown by business activity segment is as follows:

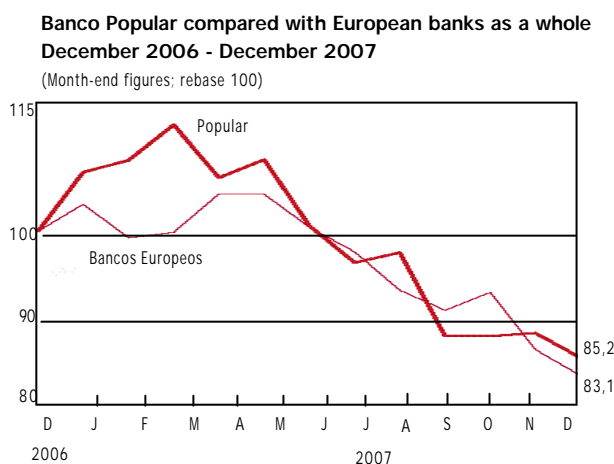
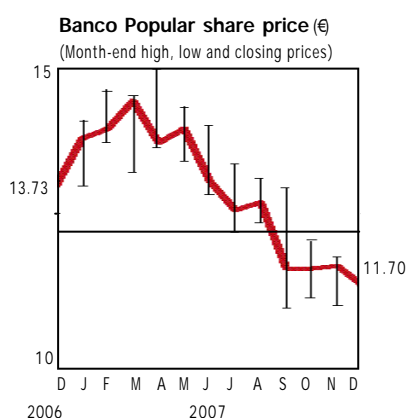
	Consolidated profit			Total assets		
	31.12.07	31.12.06	% variation	31.12.07	31.12.06	% variation
Asset management	61,459	55,630	10.5	1,750,344	1,908,477	(8.3)
Insurance activity	30,033	25,619	17.2	1,123,260	992,693	3.2
Commercial banking	1,163,359	909,094	28.0	88,249,385	77,252,32	14.2
Corporate and markets	81,709	100,872	(19.0)	16,046,364	11,496,962	39.6
Total	1,336,560	1,091,215	22.5	107,169,353	91,650,634	16.9

Market Performance of the Bank's Shares

Market information

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return*
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2006 1st	1,215,433	550,495	45.29	13.25	9.99	12.16	0.0904	18.9
2nd	1,215,433	446,645	36.75	12.50	10.91	11.65	0.0909	(3.4)
3rd	1,215,433	396,338	32.61	13.00	11.17	12.93	0.0919	11.8
4th	1,215,433	527,940	43.44	13.83	12.73	13.73	0.1026	7.0
Year total	1,215,433	1,921,418	158.09	13.83	9.99	13.73	0.3758	36.9
2007 1st	1,215,433	577,638	47.53	15.65	13.73	15.44	0.1033	13.2
2nd	1,215,433	511,582	42.09	16.07	13.55	13.82	0.1044	(9.8)
3rd	1,215,433	607,837	50.01	14.16	11.27	12.05	0.1057	(12.0)
4th	1,215,433	657,763	54.12	12.61	11.30	11.70	0.1213	(1.9)
Year total	1,215,433	2,354,820	193.74	16.07	11.27	11.70	0.4347	(11.6)

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



Market ratios

	31.12.07	31.12.06
Price / Book value	2.29	3.02
Price / Earnings (PE ratio)	11.3	16.3
Dividend return*	4.15	2.99

* Calculated with the dividend paid in the fourth quarter, annualized

Treasury Stock

(Thousands of shares)	Number				Total outstanding (a)	Total traded (b)	Treasury Stock*	
	Average	Maximum	Minimum	Closing			As % of (a)	As % of (b)
2006								
First quarter	60	150	-	71	1,215,433	550,495	-	0.01
Second quarter	301	740	64	647	1,215,433	446,645	0.02	0.07
Third quarter	375	647	202	271	1,215,433	396,338	0.03	0.09
Fourth quarter	143	275	112	116	1,215,433	527,940	0.01	0.03
2007								
First quarter	201	1,946	64	167	1,215,433	577,638	0.02	0.03
Second quarter	191	217	155	214	1,215,433	511,582	0.02	0.04
Third quarter	647	781	213	697	1,215,433	607,837	0.05	0.11
Fourth quarter	710	720	691	720	1,215,433	657,763	0.06	0.11

* Calculated on average treasury stock held in the quarter.

Basis of presentation and accounting principles and standards

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

The Bank of Spain, as the accounting regulator of the Spanish banking industry, implemented and adapted the accounting standards for credit institutions in its Circular 4/2004, as published in the Official State Gazette on December 30, 2004.

Basis of presentation

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

Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 15 to the 2006 consolidated financial statements, which included most notably the following:

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

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

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

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

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

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

B) Income:

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

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

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

- Instruments classified in the trading portfolio, including financial derivatives, are recorded at fair value, with changes taken to the income statement.
- Loans and discounts and held-to-maturity investments are recorded at their amortized cost.
- Available-for-sale financial assets are valued at fair value, and changes in value are recorded in net worth until realized, at which time they are recognized in the income statement.
- Substantially all financial liabilities are valued at amortized cost.

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

E) Non-current assets for sale. This heading is used to record foreclosed assets.

F) Capital having the nature of a financial liability. Issues of preferred shares launched by the Banco Popular Group qualify as liabilities and the remuneration on them therefore forms part of the financial cost.

Disclaimer

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

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

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BANCO POPULAR ESPAÑOL

34 Velázquez. 28001 Madrid

Telephone: 34 91 520 70 00

Fax: 34 91 577 92 08

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BANCO DE ANDALUCÍA
BANCO DE CASTILLA
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