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Quarterly report

july | august | september

Highlights

(Amounts in € thousand)

	9.30.05	9.30.04	Var. %
Business volume			
Total assets managed	87,867,971	73,161,937	20.1
On-balance sheet total assets	73,281,744	60,977,143	20.2
Total equity	4,872,979	3,741,282	30.2
Funds managed:	68,332,616	57,518,106	18.8
On-balance sheet funds	53,746,389	45,333,312	18.6
Other intermediated funds	14,586,227	12,184,794	19.7
Lending to customers (gross)	62,753,927	51,289,548	22.4
Contingent risks	9,055,592	7,283,669	24.3

Solvency

BIS ratio (%)	10.09	11.04	
Of which: Tier 1 (%)	8.29	8.31	

Risk management

Total risks	71,809,519	58,573,217	22.6
Nonperforming loans	596,813	628,535	(5.1)
Allowances for credit losses	1,410,187	1,172,060	20.3
% nonperforming ratio	0.83	1.07	
% coverage (Credit loss allowance/Nonperforming loans)	236.29	186.47	

Income statements

Net interest revenue	1,450,665	1,311,082	10.6
Ordinary revenue	2,046,001	1,874,107	9.2
Operating income	1,289,171	1,171,214	10.1
Income before taxes	1,056,368	854,527	23.6
Consolidated income for the period	696,803	574,640	21.3
Income attributed to the Group	650,637	537,427	21.1

Net return and efficiency

Average total assets	68,861,033	57,699,095	19.3
Average total equity	4,118,892	3,283,632	25.4
ROA (%)	1.35	1.33	
ROE (%)	21.06	21.82	
Operating efficiency (%)	33.04	33.79	

Per share data*

Final number of shares (thousands)	1,215,433	1,136,933	6.9
Average number of shares (thousands)	1,194,393	1,136,523	5.1
Share closing market price (€)	10.14	8.95	13.3
Market capitalization	12,324,486	10,175,546	21.1
Share book value (€)	4.01	3.29	21.8
Net income per share (€)	0.545	0.473	15.2
Dividend per share paid in the period (€)	0.266	0.243	9.5
Price/Book value	2.53	2.72	
Price/Earnings (annualized)	14.0	14.2	

Other data

Shareholders	92,404	79,271	16.6
Employees	13,711	13,396	2.4
Spain	12,329	12,080	2.1
Abroad	1,382	1,316	5.0
Branches	2,370	2,308	2.7
Spain	2,192	2,160	1.5
Abroad	178	148	20.3
ATMs	3,430	3,471	(1.2)

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

As indicated on page 20, PWC audited the financial information as of December 31, 2004, and that as of September 30, 2005, was prepared in accordance with the same principles and criteria.

Salient aspects

The results of the third quarter of 2005 show the initial signs of a change in the growth model which Banco Popular has exerted itself to implement in recent months: acceleration of revenues from both interest and fees, and greater equilibrium in the generation of new business, with lower capital requirements. The year-to-date growth in net interest revenue at September 30 speeded to 10.6%, going from 10.8% in the second quarter by itself to 11.8% in the third quarter. Even faster was the acceleration of fee revenues, which went from 8% in the first quarter to 10.1% in the second and 12.7% in the third quarter alone.

The growth is starting to react to the measures of greater selectivity, aimed at improving margins, which the Group has applied in recent months. Lending to customers was up 22.4% year on year, although this was slightly lower than the rates of 24% in the first two quarters. There has been a shift from the growth effort in mortgage lending, the expansion rate of which was down by more than 3.6 percentage points, to loans and discounts, up by more than 24%, and to leasing transactions, which were again strongly dynamic with an annual growth rate of over 18%.

The Group's objective is to progressively refocus the composition of credit growth towards transactions which do not involve any dilution of margins and enable it to face up with high quality risks to the potential consequences that a rise in interest rates might have on delinquency in the financial system. Moreover, once the strong expansion in customers and transactions has been consolidated and translated into market share gains which the Group intends to exploit by intensifying cross-selling, the priority in the future will be targeted on achieving growing margins of profitability with declining capital requirements.

The sharp 10.3% year-on-year growth in net service fee revenues was, in particular, the outcome of the excellent performance of those for asset management: mutual fund fees were up 15.2% year on year, pension plan fees were 14.4% higher and securities portfolio fees rose by 12.0%. In this source of revenues, the Group clearly outperforms the rest of the Spanish banking sector, as evidenced by the fact that the Bank's mutual funds grew by more than 20% year on year, as compared with slightly less than 14% for the banking sector as a whole.

The ordinary revenue was up 9.2% year on year, although the underlying dynamism of the ordinary business was greater, in line with growths of over 10% in interest and fee revenues, but is compared with 2004, in the same period of which an extraordinary gain was booked for the sale of the holding in Metrovacesa.

Expenses, up by 6.7%, followed the pattern of a group in process of expansion. One aspect of this strategy was the opening of 56 branch offices in the first nine months of 2005, the closure of 16, and the fitting out of a further 67 to be opened in coming quarters. Another aspect of the Group's expansion with an impact on period expenses, particularly those for advertising and marketing, was the launch of new products. In conjunction with the net addition in the first nine months of the year of nearly 448,000 new customers, including over 25,000 legal entities, this projects the image of a group which is investing strongly in the future thanks to the strength of its revenue-generating capability.

With revenues growing faster than expenses, the efficiency ratio was 33.04%, the best of any Spanish bank and one of the best of any European bank. This also drove the growth of operating income to 10.1% year on year.

The 21.1% year-on-year growth in attributable net income placed the ROE at 21.06%, and the strength of earnings improved the ROA by 2 basis points to 1.35%.

Balance Sheet

(Amounts in € thousand)

	9.30.05	12.31.04	9.30.04	% variation	
				9 months	12 months
Assets					
Cash and due from central banks	964,462	894,218	1,065,937	7.9	(9.5)
Trading portfolio, derivatives and other financial assets	2,025,077	1,293,510	1,318,968	56.6	53.5
Available-for-sale financial assets	643,753	458,283	541,784	40.5	18.8
Loans and discounts:	67,265,727	58,252,220	55,406,870	15.5	21.4
Lending to customers.	62,753,927	54,560,188	51,289,548	15.0	22.4
Other loans and discounts	5,769,007	4,802,451	5,174,886	20.1	11.5
Valuation adjustments (+/-).	(1,257,207)	(1,110,419)	(1,057,564)	13.2	18.9
Non-current assets for sale	87,467	61,336	63,467	42.6	37.8
Participating interests	25,707	35,417	30,586	(27.4)	(16.0)
Pension-linked insurance contracts	238,173	209,055	215,663	13.9	10.4
Tangible assets.	723,615	661,751	666,576	9.3	8.6
Intangible assets	356,004	359,929	359,201	(1.1)	(0.9)
Tax assets	746,557	840,557	912,020	(11.2)	(18.1)
Accrual accounts.	44,571	39,624	57,987	12.5	(23.1)
Other asset accounts	160,631	295,283	338,084	(45.6)	(52.5)
Total assets	73,281,744	63,401,183	60,977,143	15.6	20.2
Liabilities					
Trading portfolio and other financial liabilities	594,667	412,238	553,054	44.3	7.5
Financial liabilities at amortized cost:	64,474,701	55,841,237	53,067,367	15.5	21.5
Deposits of credit institutions	11,228,114	9,238,779	8,639,339	21.5	30.0
Customer deposits.	33,552,782	31,213,056	31,292,020	7.5	7.2
Bonds and other marketable debt securities.	18,412,747	14,162,521	12,354,793	30.0	49.0
Other financial liabilities	775,008	1,056,930	637,298	(26.7)	21.6
Valuation adjustments (+/-).	506,050	169,951	143,917	>	>
Subordinated liabilities.	374,948	549,169	556,169	(31.7)	(32.6)
Insurance contract liabilities	319,367	300,470	293,318	6.3	8.9
Allowances	536,340	514,913	444,609	4.2	20.6
Tax liabilities.	368,800	166,617	163,155	>	>
Accrual accounts.	297,952	251,372	613,255	18.5	(51.4)
Other liabilities accounts	109,854	311,407	248,497	(64.7)	(55.8)
Financial liabilities classified as capital	980,976	980,893	980,797	-	-
Total liabilities	68,057,605	59,328,316	56,920,221	14.7	19.6
Net worth					
Minority interests	335,205	308,436	306,246	8.7	9.5
Valuation adjustments	15,955	8,558	9,394	86.4	69.8
Equity	4,872,979	3,755,873	3,741,282	29.7	30.2
Capital, reserves and retained earnings	4,331,974	3,296,282	3,301,631	31.4	31.2
Income for the period	650,637	656,280	537,427		21.1
Dividends paid and declared	(109,632)	(196,689)	(97,776)		12.1
Total net worth	5,224,139	4,072,867	4,056,922	28.3	28.8
Total net worth and liabilities	73,281,744	63,401,183	60,977,143	15.6	20.2
<i>Pro-memoria:</i>					
Contingent risks	9,055,592	7,723,088	7,283,669	17.3	24.3
Contingent commitments	18,852,703	14,813,121	14,086,832	27.3	33.8

Business Performance

In the first nine months of 2005, the Banco Popular Group continued to sharply expand its strictly organic business volumes, particularly in the provision of credit.

At September 30, 2005, the Group's total on-balance sheet assets amounted to €73,282 million, an increase of €12,305 million in the last twelve months, a year-on-year growth rate of 20.2%.

The off-balance sheet assets managed recorded a notable 19.7% increase, with faster growth in the third quarter, driven by the excellent performance of mutual funds (up 21.5%) and pension plans (up 16.0%). The Banco Popular Group's market share in mutual funds stood above 4%, a significant gain in the first nine months of 2005.

Accordingly, the Group's total business volume at September 30 was therefore €87,868 million, up 20.1% year on year.

Lending to the Group's customers totaled €62,754 million, an increase of 22.4% in the last twelve months and of 15.0% since January 1. This lending to customers represented 85.6% of total assets at the end of the first nine months. The credit to private sector borrowers of €62,633 million was 22.3% higher than in September 2004. By type of lending, mortgage loans, mostly for home purchase, were up by 26.7%, personal loans and credits (other term loans) by 24.7%, and leasing transactions by 18.3%.

The contingent risks were 24.3% higher at €9,056 million, with 26.1% year-on-year growth in collateral and other guarantees provided.

Total on-balance sheet funds (customer deposits, marketable debt securities, subordinated debt and capital classified as financial liabilities) amounted to €53,746 million at September 30, 2005, a year-on-year increase of 18.6%.

Retail liabilities - demand deposits, time deposits and commercial paper - were up 11.2% year on year and were again the main source of balance sheet funding with an approximate contribution thereto of 57%. This caption included most notably commercial paper, which performed very dynamically (up 31.5%). Wholesale funding - bonds, covered bonds ("cédulas") and interbank borrowing - provided 35% of total balance-sheet funding and the remainder - common stock, preferred shares and subordinated debt and other sources - provided 8%.

The €597 million of doubtful receivables at September 30, 2005, were €32 million (5.1%) lower year on year. Since January 1, the balance has decreased by €19 million (3.0%).

The nonperforming ratio, i.e. receivables assets as a percentage of total risks (loans and discounts plus contingent risks) again declined and stood at 0.83%, a substantial reduction of 24 basis points in the last twelve months. In addition to the low level of nonperforming loans, the Group has allowances covering 236.3% of the doubtful assets balance.

Funds Managed

(Amounts in € thousand)

	9.30.05	12.31.04	9.30.04	% variation	
				9 months	12 months
Customer deposits:	33,552,782	31,213,056	31,292,020	7.5	7.2
<i>From public authorities:</i>	1,936,360	1,070,425	1,509,980	80.9	28.2
Demand deposits	688,168	948,675	512,675	(27.5)	34.2
Savings deposits	387	8,634	8,374	(95.5)	(95.4)
Time deposits	82,634	52,387	133,146	57.7	(37.9)
Assets sold under repurchase agreements	816,801	52	729,172	>	12.0
Nonresidents public authorities	348,370	60,677	126,613	>	>
<i>Other private sector depositors:</i>	31,616,422	30,142,631	29,782,040	4.9	6.2
Residents:	26,414,830	24,877,259	24,540,059	6.2	7.6
Demand deposits	9,678,619	8,562,370	8,738,532	13.0	10.8
Savings deposits	4,821,878	4,451,760	4,460,254	8.3	8.1
Time deposits	10,116,999	10,016,652	9,657,577	1.0	4.8
Assets sold under repurchase agreements	1,568,429	1,600,998	1,455,311	(2.0)	7.8
Other accounts	228,905	245,479	228,385	(6.8)	0.2
Nonresidents:	5,201,592	5,265,372	5,241,981	(1.2)	(0.8)
Demand deposits	1,345,957	1,177,997	1,188,393	14.3	13.3
Savings deposits	958,874	1,032,919	1,034,300	(7.2)	(7.3)
Time deposits	2,870,556	2,971,796	2,929,680	(3.4)	(2.0)
Assets sold under repurchase agreements	3,136	4,354	330	(28.0)	>
Other accounts	23,069	78,306	89,278	(70.5)	(74.2)
Bonds and other marketable debt securities:	18,412,747	14,162,521	12,354,793	30.0	49.0
Bonds and other debt securities outstanding	13,164,746	9,759,197	8,365,083	34.9	57.4
Promissory notes	5,248,001	4,403,324	3,989,710	19.2	31.5
Subordinated liabilities	374,948	549,169	556,169	(31.7)	(32.6)
Financial liabilities classified as capital	988,000	988,000	988,000	-	-
Valuation adjustments (+/-)	417,912	34,019	142,330	>	>
Total on-balance sheet funds (a)	53,746,389	46,946,765	45,333,312	14.5	18.6
Mutual funds	10,103,579	8,777,791	8,314,798	15.1	21.5
Asset portfolio management	1,098,564	978,172	953,573	12.3	15.2
Pension funds	3,384,084	3,124,993	2,916,423	8.3	16.0
Total other intermediated funds (b)	14,586,227	12,880,956	12,184,794	13.2	19.7
Total (a+b)	68,332,616	59,827,721	57,518,106	14.2	18.8

Lending to customers

(Amounts in € thousand)

	9.30.05	12.31.04	9.30.04	% variation	
				9 months	12 months
<i>Lending to Public Authorities:</i>	121,046	109,458	85,394	10.6	41.8
Normal status loans	121,042	109,454	85,390	10.6	41.8
Doubtful assets	4	4	4	-	-
<i>Other private sector borrowers:</i>	62,632,881	54,450,730	51,204,154	15.0	22.3
Residents:	56,227,585	48,585,557	45,752,406	15.7	22.9
Trade loans and discounts	5,660,562	5,915,572	5,494,416	(4.3)	3.0
Secured loans	31,136,482	26,165,308	24,512,531	19.0	27.0
Mortgage loans	30,971,695	26,035,957	24,408,163	19.0	26.9
Other	164,787	129,351	104,368	27.4	57.9
Asset repos	8	44,853	135	(100.0)	(94.1)
Other term loans	14,057,810	11,495,591	11,082,535	22.3	26.8
Leasing	3,256,158	2,888,975	2,787,628	12.7	16.8
Overdrafts and other	1,638,825	1,555,718	1,351,445	5.3	21.3
Nonperforming loans	477,740	519,540	523,716	(8.0)	(8.8)
Nonresidents:	6,405,296	5,865,173	5,451,748	9.2	17.5
Trade loans and discounts	303,693	402,459	342,750	(24.5)	(11.4)
Secured loans	3,179,049	2,784,649	2,556,681	14.2	24.3
Mortgage loans	3,160,039	2,764,898	2,535,479	14.3	24.6
Other	19,010	19,751	21,202	(3.8)	(10.3)
Repos	-	-	-	-	-
Other term loans	2,622,997	2,407,482	2,289,079	9.0	14.6
Leasing	72,643	56,618	26,624	28.3	>
Overdrafts and other	120,761	133,110	143,614	(9.3)	(15.9)
Nonperforming loans	106,153	80,855	93,000	31.3	14.1
Total lending to customers	62,753,927	54,560,188	51,289,548	15.0	22.4
Valuation adjustments (+/-)	(1,265,256)	(1,125,027)	(1,043,779)	12.5	21.2
Total	61,488,671	53,435,161	50,245,769	15.1	22.4

Risk Management Performance*

(Amounts in € thousand)

	9.30.05	9.30.04	Variation	
			Amount	%
Nonperforming loans:				
Balance at January 1	615,395	599,848	15,547	2.6
Net variation for the year	61,386	147,351	(85,965)	(58.3)
% increase	10.0	24.6		
Writeoffs	(79,968)	(118,664)	38,696	(32.6)
Balance at September 30	596,813	628,535	(31,722)	(5.1)
Allowance for credit losses:				
Balance at January 1	1,205,895	918,602	287,293	31.3
Annual provision:				
Gross	363,651	410,273	(46,622)	(11.4)
Recoveries	(85,322)	(52,269)	(33,053)	63.2
Net	278,329	358,004	(79,675)	(22.3)
Other variations	(308)	997	(1,305)	
Writeoffs	(73,729)	(105,543)	31,814	(30.1)
Balance at September 30	1,410,187	1,172,060	238,127	20.3
<i>Pro memoria:</i>				
Total risks	71,809,519	58,573,217	13,236,302	22.6
Loans transferred to suspense accounts	1,051,196	960,645	90,551	9.4
Risk quality measures (%):				
Nonperformance (Nonperforming loans/Total risks)	0.83	1.07	(0.24)	
Insolvency (Writeoffs/Total risks)	0.11	0.20	(0.09)	
Coverage (Credit loss allowance/Nonperforming loans)	236.29	186.47	49.82	

* 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 January 1	176,299	1,023,176	6,420	1,205,895
Net provisions	104,346	174,065	(82)	278,329
Amount used	(73,729)	-	-	(73,729)
Other variations and transfers	(310)	-	2	(308)
Balance at September 30	206,606	1,197,241	6,340	1,410,187

Solvency

(Amounts in € thousand)	9.30.05	9.30.04	% variation
Common stock	121,543	113,693	6.9
Reserves	4,215,295	3,153,732	33.7
Minority interests	292,051	264,526	10.4
Retained earnings in the period	334,943	305,349	9.7
Deductions	(362,779)	(349,894)	3.7
Total core capital	4,601,053	3,487,406	31.9
<i>Core capital (%)</i>	<i>6.83</i>	<i>6.48</i>	
Preferred stock	988,000	988,000	-
Total Tier 1 Capital	5,589,053	4,475,406	24.9
<i>Tier 1 ratio (%)</i>	<i>8.29</i>	<i>8.31</i>	
Total Tier 2 Capital	1,208,765	1,465,176	(17.5)
BIS computable capital	6,797,818	5,940,582	14.4
Capital cushion	1,405,713	1,634,347	(14.0)
<i>BIS ratio (%)</i>	<i>10.09%</i>	<i>11.04%</i>	
<i>Pro memoria:</i>			
Total BIS risk-weighted assets	67,401,316	53,827,935	25.2

Equity

(Amounts in € thousand)	Capital & reserves	Valuation adjustments	Minority interests	Net worth
Balance at 1.1.2004 (before distribution of income)	2,910,163	-	240,589	3,150,752
2003 net income	714,271	-	45,824	760,095
Dividends	(366,092)	-	(22,584)	(388,676)
Balance at 1.1.2004 (after distribution of income)	3,258,342	-	263,829	3,522,171
Initial adjustments for change to new accounting system	33,072	10,892	4,526	48,490
Undeclared 2003 dividends	185,320	-	7,308	192,628
Adjusted balance at 1.1.2004	3,476,734	10,892	275,663	3,763,289
2003 dividends paid	(185,320)	-	(7,308)	(192,628)
Early retirements	10,217	-	678	10,895
Treasury stock	(4,599)	-	-	(4,599)
Consolidation adjustments (net)	(750)	-	84	(666)
Valuation adjustments	-	(2,334)	-	(2,334)
Adjusted 2004 net income	656,280	-	47,319	703,599
Dividends	(196,689)	-	(8,000)	(204,689)
Adjusted balance at 12.31.2004	3,755,873	8,558	308,436	4,072,867
Capital increase (BPE)	792,850	-	-	792,850
Treasury stock	(544)	-	-	(544)
Consolidation adjustments (net)	2,802	-	1,066	3,868
Valuation adjustments	-	7,397	395	7,792
Income nine months 2005	650,637	-	46,166	696,803
Dividends*	(327,195)	-	(20,858)	(348,053)
Others	(1,444)	-	-	(1,444)
Balance at 9.30.2005	4,872,979	15,955	335,205	5,224,139

* Including an increase of €14,052 thousand due to the capital increase

Consolidated Income

The net interest revenue of €1,451 million at September 30 was 10.6% higher than for the first nine months of 2004.

The net fee revenues in the first nine months performed strongly and amounted to €532 million, a year-on-year growth of 10.3%; in the third quarter by itself, the growth rate was 12.7%. Again noteworthy were the year-on-year increases of 15.2% in mutual fund fees and of 14.4% in pension plan fees; the speed of growth accelerated in the third quarter. Fees for asset transaction services were up 9.0%, with a substantial 10.5% rise in bill discounting fees.

Ordinary revenue, comprising the total revenues of the banking business, amounted to €2,046 million in the first nine months, a rise of 9.2% year on year, with substantial acceleration in the third quarter, up 5.5% over the second quarter.

Operating costs relating to personnel and administrative expenses, net of the expense compensation fees, were up 6.7% year on year as a result of rises of 4.1% in personnel expenses and of 13.3% in general expenses. The performance of general expenses was determined by advertising and marketing costs relating to the launch of new products and to the addition of new customers, and to the opening of new branch offices. The return on these initiatives via new business will materialize progressively in coming years, and the related expenses can therefore be deemed to be a form of productive investment of a non-recurring nature.

The efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, was 33.04% at September 30, 2005, an improvement of 75 basis points over the figure for the first nine months of 2004.

The operating income of €1,289 million at September 30, 2005, was 10.1% higher than in the same period of 2004. The operating income of €443 million in the third quarter was 10.0% higher than in the same quarter of 2004 and 3.8% higher than in the second quarter of 2005.

The losses of €245 million for impairment of assets signify an implicit annual risk premium of 0.56% on the average balance of lending to customers. At the end of the first nine months, the general allowance of €1,197 million had practically reached the maximum limit envisaged under the new regulations.

The pre-tax income of €1,056 million in the first nine months of 2005 was 23.6% higher year on year.

The income attributed to the Banco Popular Group amounted to €651 million at September 30, 2005, up 21.1% year on year.

The earnings per share of €0.545 in the first nine months were 15.2% higher year on year.

At September 30, 2005, the ROE was 21.06% and the ROA was 1.35%.

Consolidated income and profitability

	(Amounts in € thousand)			(Annualized % of ATA)		
	9.30.05	9.30.04	% variation	9.30.05	9.30.04	Variation
Interest and similar revenues	2,214,570	1,907,021	16.1	4.29	4.41	(0.12)
- Interest and similar charges	777,846	608,486	27.8	1.51	1.41	0.10
+ Revenues from capital instruments.	13,941	12,547	11.1	0.03	0.03	-
=Net interest revenue	1,450,665	1,311,082	10.6	2.81	3.03	(0.22)
+ Revenues from equity method entities	2,460	5,004	(50.8)	-	0.01	(0.01)
+ Net fees	532,049	482,451	10.3	1.03	1.11	(0.08)
+ Insurance business	15,614	13,853	12.7	0.03	0.03	-
± Asset trading and exchange profits (net)	16,651	37,823	(56.0)	0.03	0.09	(0.06)
± Exchange gains (net)	28,562	23,894	19.5	0.06	0.06	-
=Ordinary revenue	2,046,001	1,874,107	9.2	3.96	4.33	(0.37)
+ Non-financial service fee revenues (net)	22,545	41,011	(45.0)	0.05	0.10	(0.05)
- Operating costs:	675,949	633,289	6.7	1.31	1.46	(0.15)
Personnel expenses	489,719	470,317	4.1	0.95	1.09	(0.14)
Other general administrative expenses.	226,523	199,942	13.3	0.44	0.46	(0.02)
Other revenues (compensating fees)	(40,293)	(36,970)	9.0	(0.08)	(0.09)	0.01
- Depreciation.	72,109	81,057	(11.0)	0.14	0.19	(0.05)
- Other operating expenses	31,317	29,558	6.0	0.06	0.07	(0.01)
=Operating income	1,289,171	1,171,214	10.1	2.50	2.71	(0.21)
- Losses from impairment of assets and provisions to allowances (net)	261,242	345,559	(24.4)	0.51	0.80	(0.29)
± Other income (net)	28,439	28,872	(1.5)	0.06	0.06	-
=Income before taxes	1,056,368	854,527	23.6	2.05	1.97	0.08
- Corporate income tax provision	359,565	279,887	28.5	0.70	0.64	0.06
=Consolidated income for the period	696,803	574,640	21.3	1.35	1.33	0.02
- Income attributed to minority interests	46,166	37,213	24.1	0.09	0.09	-
=Income attributed to the Group	650,637	537,427	21.1	1.26	1.24	0.02
Net return on average risk-weighted assets (RORWA) (%)				1.47	1.50	(0.03)
Net return on average equity (ROE) (%)				21.06	21.82	(0.76)
Leverage				15.61	16.41	(0.80)
Operating efficiency (%)				33.04	33.79	(0.75)
<i>€ million:</i>						
Average total assets				68,861	57,699	11,162
Risk-weighted average total assets (RWA)				63,178	51,148	12,030
Average total equity.				4,119	3,284	835

Quarterly Consolidated Income

(Amounts in € thousand)

	2004			2005	
	3rd	4th	1st	2nd	3rd
Interest and similar revenues	657,051	687,716	707,576	738,930	768,064
- Interest and similar charges	220,741	233,775	241,760	259,530	276,556
+Revenues from capital instruments	7,707	1,486	3,159	5,986	4,796
=Net interest revenue	444,017	455,427	468,975	485,386	496,304
+Revenues from equity method entities	4,485	(3,318)	699	1,081	680
+Net fees	163,873	173,643	169,569	177,870	184,610
+Insurance business	4,985	4,943	4,638	4,614	6,362
±Asset trading and exchange profits (net)	21,738	6,644	10,956	(6,155)	11,850
±Exchange gains (net)	8,165	6,994	8,413	10,211	9,938
=Ordinary revenue	647,263	644,333	663,250	673,007	709,744
+ Non-financial service fee revenues (net)	9,605	8,544	7,737	8,140	6,668
- Operating costs:	217,837	223,327	216,061	220,696	239,192
Personnel expenses	159,793	166,605	160,201	160,532	168,986
Other general administrative expenses	68,394	69,513	69,877	74,581	82,065
Other revenues (compensating fees)	(10,350)	(12,791)	(14,017)	(14,417)	(11,859)
- Depreciation	27,050	21,976	24,006	23,979	24,124
- Other operating expenses	9,806	9,495	10,452	10,319	10,546
=Operating income	402,175	398,079	420,468	426,153	442,550
- Losses from impairment of assets and provisions to allowances (net)	114,646	204,904	88,671	79,083	93,488
±Other income (net)	2,820	4,090	8,442	4,006	15,991
=Income before taxes	290,349	197,265	340,239	351,076	365,053
- Corporate income tax provision	93,744	68,306	115,191	122,012	122,362
=Consolidated income for the period	196,605	128,959	225,048	229,064	242,691
- Income attributed to minority interests	12,921	10,106	14,181	15,152	16,833
=Income attributed to the Group	183,684	118,853	210,867	213,912	225,858

Quarterly Profitability

(Annualized % of ATA)

	2004			2005	
	3rd	4th	1st	2nd	3rd
Interest and similar revenues	4.37	4.45	4.34	4.29	4.23
- Interest and similar charges	1.47	1.51	1.48	1.51	1.52
+ Revenues from capital instruments	0.05	0.01	0.02	0.04	0.03
= Net interest revenue	2.95	2.95	2.88	2.82	2.74
+ Revenues from equity method entities	0.03	(0.02)	0.00	0.01	-
+ Net fees	1.09	1.12	1.04	1.03	1.02
+ Insurance business	0.03	0.03	0.03	0.03	0.03
± Asset trading and exchange profits (net)	0.15	0.04	0.07	(0.04)	0.07
± Exchange gains (net)	0.06	0.05	0.05	0.06	0.05
= Ordinary revenue	4.31	4.17	4.07	3.91	3.91
+ Non-financial service fee revenues (net).	0.06	0.05	0.05	0.04	0.04
- Operating costs:	1.45	1.45	1.33	1.28	1.32
Personnel expenses	1.06	1.08	0.98	0.93	0.93
Other general administrative expenses	0.46	0.45	0.43	0.43	0.45
Other revenues (compensating fees)	(0.07)	(0.08)	(0.08)	(0.08)	(0.06)
- Depreciation	0.18	0.15	0.15	0.14	0.13
- Other operating expenses	0.06	0.06	0.06	0.06	0.06
= Operating income	2.68	2.58	2.58	2.47	2.44
- Losses from impairment of assets and net provisions to allowances	0.77	1.33	0.54	0.46	0.51
± Other income (net)	0.02	0.03	0.05	0.03	0.08
= Income before taxes	1.93	1.28	2.09	2.04	2.01
- Corporate income tax provision	0.62	0.44	0.71	0.71	0.67
= Consolidated income for the period	1.31	0.84	1.38	1.33	1.34
- Income attributed to minority interests	0.09	0.07	0.09	0.09	0.09
= Income attributed to the Group	1.22	0.77	1.29	1.24	1.25
Net return on average risk-weighted assets (RORWA) (%)	1.46	0.86	1.51	1.44	1.47
Net return on average equity (ROE) (%)	22.59	15.08	22.67	19.73	21.01
Leverage	17.24	17.95	16.43	14.83	15.68
Operating efficiency (%)	33.66	34.66	32.58	32.79	33.70
<i>€ million:</i>					
Average total assets	60,108	61,802	65,154	68,888	72,541
Risk-weighted average total assets (RWA)	53,786	55,732	59,709	63,641	66,238
Average total equity	3,253	3,152	3,721	4,337	4,299

Yields and Costs

(Amounts in € thousand and rates annualized)

	9.30.05				9.30.04			
	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)
Financial system	5,134,780	7.46	87,236	2.27	5,842,534	10.13	78,561	1.79
Loans and discounts (a)	58,916,452	85.56	2,117,633	4.79	47,659,134	82.60	1,823,265	5.10
Securities portfolio	668,757	0.97	17,785	3.55	705,893	1.22	15,867	3.00
Other earning assets	228,404	0.33	5,857	3.42	88,807	0.15	1,875	2.82
<i>Total earning assets(b)</i>	<i>64,948,393</i>	<i>94.32</i>	<i>2,228,511</i>	<i>4.57</i>	<i>54,296,368</i>	<i>94.10</i>	<i>1,919,568</i>	<i>4.71</i>
Other assets	3,912,640	5.68	-	-	3,402,727	5.90	-	-
Total assets (c)	68,861,033	100.00	2,228,511	4.32	57,699,095	100.00	1,919,568	4.44
Financial system	10,794,417	15.68	168,219	2.08	9,287,008	16.10	136,697	1.96
Customer funds (d)	32,366,497	47.00	284,262	1.17	30,471,164	52.81	247,168	1.08
Marketable debt securities & other	17,314,455	25.14	319,103	2.46	11,290,024	19.57	224,621	2.65
Other interest-bearing liabilities . . .	388,469	0.56	6,262	2.15	-	-	-	-
<i>Total interest-bearing liabilities (e)</i>	<i>60,863,838</i>	<i>88.38</i>	<i>777,846</i>	<i>1.70</i>	<i>51,048,196</i>	<i>88.48</i>	<i>608,486</i>	<i>1.59</i>
Other non-interest-bearing liabilities	3,878,303	5.64	-	-	3,367,267	5.83	-	-
Equity	4,118,892	5.98	-	-	3,283,632	5.69	-	-
Total liabilities and capital (f) . .	68,861,033	100.00	777,846	1.51	57,699,095	100.00	608,486	1.41
<i>Customer spread (a-d)</i>				<i>3.62</i>				<i>4.02</i>
<i>Spread (b-e)</i>				<i>2.87</i>				<i>3.12</i>
<i>Net interest margin (c-f)</i>				<i>2.81</i>				<i>3.03</i>

Quarterly Yields and Costs

(Data in % and rates annualized)

	2004				2005					
	3rd		4th		1st		2nd		3rd	
	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate	Distri- bution	Rate
Financial system	8.87	2.20	8.45	2.22	7.67	2.27	7.16	2.27	7.55	2.25
Loans and discounts (a)	83.45	5.00	85.64	4.97	85.80	4.84	85.52	4.80	85.38	4.74
Securities portfolio	0.98	5.18	0.81	2.02	0.97	3.39	0.94	3.95	1.00	3.32
Other earning assets	0.16	2.99	0.16	2.92	0.16	3.11	0.33	5.78	0.49	1.99
<i>Total earning assets(b)</i>	<i>93.46</i>	<i>4.73</i>	<i>95.06</i>	<i>4.69</i>	<i>94.60</i>	<i>4.61</i>	<i>93.95</i>	<i>4.60</i>	<i>94.42</i>	<i>4.51</i>
Other assets	6.54	-	4.94	-	5.40	-	6.05	-	5.58	-
Total assets (c)	100.00	4.42	100.00	4.46	100.00	4.36	100.00	4.33	100.00	4.26
Financial system	15.43	2.20	14.46	2.09	15.60	2.14	15.88	2.05	15.55	2.04
Customer funds (d)	51.86	1.09	50.57	1.19	48.73	1.10	46.97	1.24	45.48	1.17
Marketable debt securities & other	21.18	2.67	23.61	2.59	24.26	2.53	24.64	2.34	26.42	2.50
Other interest-bearing liabilities.					0.60	0.51	0.57	3.65	0.53	2.28
<i>Total interest-bearing liabilities (e)</i>	<i>88.47</i>	<i>1.66</i>	<i>88.64</i>	<i>1.71</i>	<i>89.19</i>	<i>1.68</i>	<i>88.06</i>	<i>1.71</i>	<i>87.98</i>	<i>1.73</i>
Other non-interest-bearing liabilities	6.12	-	6.26	-	5.10	-	5.64	-	6.09	-
Equity	5.41	-	5.10	-	5.71	-	6.30	-	5.93	-
Total liabilities and capital (f)	100.00	1.47	100.00	1.51	100.00	1.48	100.00	1.51	100.00	1.52
<i>Customer spread (a-d)</i>		3.91		3.78		3.74		3.56		3.57
<i>Spread (b-e)</i>		3.07		2.98		2.93		2.89		2.78
<i>Net interest margin (c-f)</i>		2.95		2.95		2.88		2.82		2.74

Net Fee Revenues

(Amounts in € thousand)

	9.30.05	9.30.04	% variation
Asset transaction service fees:	76,936	70,562	9.0
Bill discounting	35,291	31,937	10.5
Other	41,645	38,625	7.8
Provision of guarantees and other sureties	73,596	71,189	3.4
Operating services:	381,517	340,700	12.0
Collection and payment handling	151,173	147,801	2.3
Securities and foreign currency purchase and sale transactions	17,603	8,480	>
Customer financial asset management:	150,285	131,202	14.5
Securities portfolio	20,661	18,447	12.0
Mutual funds	96,737	84,011	15.2
Pension plans	32,887	28,744	14.4
Administration of demand deposits	43,158	42,905	0.6
Other	19,298	10,312	87.1
Total	532,049	482,451	10.3

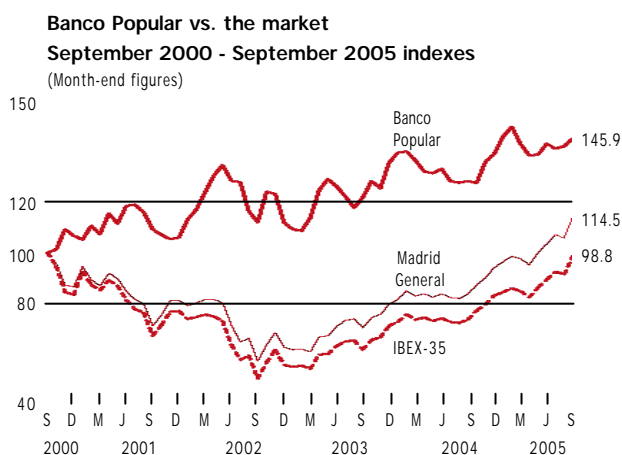
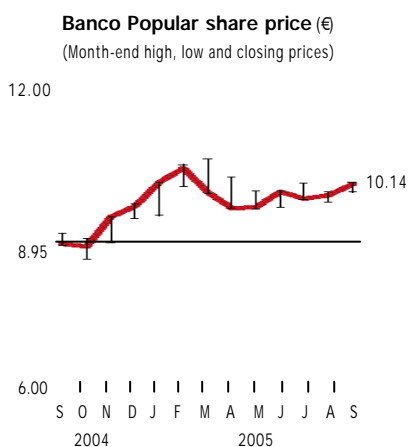
Market Performance of the Bank's Shares

Market information*

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return**	
	Average shares outstanding	Shares traded	%	High	Low	Closing			
2004	1st	1,136,933	553,608	48.69	10.05	9.20	9.52	0.080	1.5
	2nd	1,136,933	505,439	44.46	9.73	8.96	9.28	0.081	(1.7)
	3rd	1,136,933	369,666	32.51	9.39	8.51	8.95	0.082	(2.7)
	4th	1,136,933	550,455	48.42	9.79	8.65	9.70	0.086	9.4
Year total	1,136,933	1,979,168	174.08	10.05	8.51	9.70	0.329	6.0	
2005	1st	1,150,888	637,506	55.39	10.75	9.40	9.98	0.087	3.8
	2nd	1,215,433	552,205	45.43	10.32	9.61	9.99	0.089	1.0
	3rd	1,215,433	406,433	33.44	10.25	9.76	10.14	0.090	2.4

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

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



Market ratios	9.30.05	9.30.04
Price / Book value	2.53	2.72
Price / Earnings (PE ratio)	14.0	14.2
Dividend return*	3.55	3.67

* Calculated with the dividend paid in the period, 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)
2004								
First quarter	572	1,197	-	-	1,136,933	553,608	0.05	0.10
Second quarter	239	430	-	-	1,136,933	505,439	0.02	0.05
Third quarter	425	430	-	430	1,136,933	369,666	0.04	0.11
Fourth quarter	464	536	-	474	1,136,933	550,455	0.04	0.08
2005								
First quarter	140	474	-	-	1,150,888	637,506	0.01	0.02
Second quarter	434	509	-	509	1,215,433	552,205	0.04	0.08
Third quarter	432	509	-	507	1,215,433	406,433	0.04	0.11

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

** 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 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.

As required by the new standards, the 2004 consolidated financial statements have been harmonized to conform to the accounting principles applied in 2005, so as to permit uniform comparison.

Accounting principles and policies and valuation standards

The Group's accounting policy is based on the accounting principles set forth in Note 2 to the 2004 consolidated financial statements and on the following basic principles arising from application of the IFRS:

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 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 new regulations require stricter treatment in the classification of doubtful balances in customer transactions, since delinquency in the payment of one installment triggers the classification as nonperforming of the entire transaction. Previously, the unpaid installments had to represent 25% of the total amount of the 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 no longer amortized.

B) Revenues:

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

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

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

- Instruments classified in the trading portfolio, including financial derivatives, are recorded at fair value, with changes taken to the income statement.
- Held-to-maturity investments are recorded at their amortized cost.
- Loans and discounts are recorded at 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.

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 taken the option provided in IFRS to revalue them, and accordingly they are presented in the balance sheet at cost restated, where appropriate, pursuant to the applicable enabling legislation, net of accumulated depreciation.

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

F) Financial liabilities classified as capital. Under the new regulations, the cost of preferred shares becomes part of the financial cost, by contrast with the previous regulations under which these securities were recorded in the income attributed to minority interests.

G) Pension allowance: The Group has chosen to charge actuarial gains and losses accumulated as at January 1, 2004 against reserves.

H) Consolidation. The most relevant novelty in the IFRS in this connection is the elimination of the exclusion from consolidation by reason of line of business and the strengthening of the concept of control for full consolidation of subsidiaries, including special-purpose subsidiaries, and of the concept of significant influence for application of the equity method to associated companies. Multigroup companies are to be consolidated by the proportional consolidation method.

The new regulations signify a broadening of the scope of consolidation for the Group, including most notably the addition of the Eurovida insurance company. Accordingly, the results of Eurovida are shown on the "Insurance business" line in the consolidated statement of income.

Audit of the process of conversion to IFRS-EU

The opening consolidated balance sheet as of January 1, 2004; the consolidated balance sheet and income statement as of December 31, 2004, prepared as part of the process of conversion of the Group's financial statements to IFRS-EU standards, taking into account the options included in Bank of Spain Circular 4/2004; and the facts, circumstances and accounting policies which the Group plans to apply in its complete consolidated financial statements as of December 31, 2005, as set forth above, have been audited by PWC.

The consolidated balance sheet and income statement as of September 30, 2005, were prepared in accordance with the previously indicated principles and criteria.

Subsequent events

On October 7, 2005, the Banco Popular Group acquired the remaining 50% of the Portuguese insurance company Eurovida BNC, which thus became a wholly-owned subsidiary.

NOTES

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