

## Introduction

The Banco Popular Group's firm pursuit of profitable growth of the business, initiated in 1999, is again evidenced by the figures for the first quarter of 2001. The balance sheet total of Euros 33,540 million (Ptas. 5.6 billion) was Euros 6,487 million (Ptas. 1.1 billion), i.e. 24%, higher year on year, as a result of the strong growth in loans and discounts (up 24.9%) and of customer funds (up 19.5%) at rates higher than those for the Spanish financial system as a whole per the latest data, with an increased market share.

The Group continues to expand by the two-fold route of organic growth and the purchase of businesses so as to enter new market segments or to strengthen others in which it already operates. Two major operations were carried out in the first quarter: the addition to the Group of the Heller Factoring Portuguesa company, in order to strengthen the branch network in Portugal, and the acquisition of a holding in the Fortior-Iberagentes group, signifying a substantial expansion in the area of asset management - mutual funds and portfolio management - and the launch pad for development of the private banking business.

The results for the first quarter, substantially all of which arose from recurring banking business, reveal a very large increase in all margins as compared with the first quarter of 2000. The net income of Euros 149 million (Ptas. 24,830 million), and the attributable income of Euros 137 million (Ptas. 22,775 million) were 16.2% and 15.1% higher year on year, respectively.

The earnings per share in the quarter were 15.1% higher at Euros 0.630 (Ptas. 104.88). The annualized ROE was 26.76%, as compared with 26.30% at the end of March 2000.

The net interest revenue of Euros 329 million (Ptas. 54,783 million) was 21.1% higher year on year and 11.7% higher than in the fourth quarter of 2000. The service fee revenues of Euros 144 million (Ptas. 23,975 million) were 14.4% higher year on year and 4.3% up on the fourth quarter of 2000.

The ordinary revenue of Euros 486 million (Ptas. 80,934 million) was 19% higher than in the first quarter of 2000 and 10.4% higher than in the fourth quarter of 2000 (adjusted for the extraordinary gain on the divestment of the holding in Avasa).

Operating costs at Euros 183 million (Ptas. 30,482 million) were 13.9% higher year on year (8.6% on uniform terms with the preceding year). The efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, was 37.66%, an improvement of 1.69 percentage points in the last twelve months.

The operating income, reflecting the operating result of the business, amounted to Euros 276 million (Ptas. 45,969 million) in the first quarter, 24.5% higher than in the same quarter of 2000 and 15.7% higher than in the preceding quarter (adjusted for the extraordinary gain mentioned above). These growth rates, compared with those of the increase in the balance sheet, confirm that the Group's growth policy runs parallel with profitability.

Asset quality was again at a record high level. The nonperforming loans ratio (nonperforming loans as a percentage of total risks) was 0.78%, as compared with 0.79% in December 2000 and 0.88% twelve months earlier. Even so, the Group allocated Euros 54 million (Ptas. 8,971 million) to provisions for the credit loss allowance in the quarter, a year-on-year increase of 373.7%. The quarter provisions included Euros 19 million (Ptas. 3,120 million) booked to the statistical credit loss allowance, which did not exist in March 2000. The recorded credit loss allowances represent 194.3% of the troubled balances, as compared with 164% in March 2000. The other provisions of Euros 17 million (Ptas. 2,783 million), mostly of a precautionary nature, booked in the quarter enhance even more the soundness of the balance sheet.

The customer base continued to increase. At March 31, 2001, the Group had a total of 4.05 million customers, a net increase of 344,000 (9.3%) in the last twelve months. The Internet bank-on-line banking channel continued to grow very rapidly, and the 77,000 new customers added in the quarter raised the total to 404,000 at the end of March.

## Highlights

(Amounts in thousands of euros)

	March 31, 2001		March 31 2000	Variation	
	Pesetas (Millions)			Amount	%
<b>Business volume</b>					
Total assets managed	7,112,224	42,745,327	37,372,024	5,373,303	14.4
On-balance sheet assets	5,580,507	33,539,524	27,052,327	6,487,197	24.0
Customer funds:	5,445,667	32,729,121	30,006,768	2,722,353	9.1
On-balance sheet funds	3,913,951	23,523,318	19,687,071	3,836,247	19.5
Other intermediated funds	1,531,716	9,205,803	10,319,697	(1,113,894)	(10.8)
Loans and discounts	4,095,726	24,615,810	19,708,987	4,906,823	24.9
Off-balance sheet risks	567,748	3,412,236	2,919,695	492,541	16.9
<b>Solvency</b>					
Total equity	340,467	2,046,248	1,807,913	238,335	13.2
BIS ratio (%)		11.08	9.81	1.27	
<b>Risk management</b>					
Nonperforming loans	36,565	219,763	199,487	20,276	10.2
Allowances for credit losses	71,040	426,961	327,145	99,816	30.5
% nonperforming ratio		0.78	0.88	(0.10)	
% coverage (Credit loss allowance/Nonperforming loans)		194.28	163.99	30.29	
<b>Income statements</b>					
Net interest revenue	54,783	329,252	271,968	57,284	21.1
Basic banking revenue	78,758	473,345	397,913	75,432	19.0
Ordinary revenue	80,934	486,421	408,667	77,754	19.0
Operating income	45,969	276,278	221,888	54,390	24.5
Income before taxes	34,916	209,851	197,435	12,416	6.3
Net income	24,830	149,233	128,426	20,807	16.2
Net income attributable to Banco Popular Shareholders	22,775	136,878	118,888	17,990	15.1
<b>Net return and efficiency ratios (%)</b>					
Over average total assets (32,427,180 thousands of euros):					
Consolidated net income (ROA)		1.84	1.97	(0.13)	
Over average equity (2,046,248 thousands of euros):					
Net income attributable (ROE)		26.76	26.30	0.46	
Operating efficiency		37.66	39.35	(1.69)	
<b>Shares</b>					
Shares outstanding (thousands)		217,154	217,154	-	-
Shareholders		79,474	110,141	(30,667)	(27.8)
Share closing market price (euros)		37.35	32.00	5.35	16.7
Share book value (euros)		9.423	8.326	1.097	13.2
Net income per share (euros)		0.630	0.547	0.083	15.1
Dividend per share (euros)		0.293	0.265	0.028	10.6
<b>Other data</b>					
Employees		12,055	11,754	301	2.6
Spain		11,879	11,658	221	1.9
Abroad		176	96	80	83.3
Branches		2,106	2,022	84	4.2
Spain		2,082	2,007	75	3.7
Abroad		24	15	9	60.0
ATMs		2,945	2,511	434	17.3

# QUARTER PERFORMANCE\*

## Assets and funds

Table 1 presents the consolidated balance sheets at March 31, 2001, December 31, 2000, and March 31, 2000, with a similar level of detail as in the annual financial statements.

### Total assets

The total on-balance sheet assets amounted to Euros 33,540 million at March 31, 2001, 24% more than at the same date in 2000 and 7% higher than at the beginning of the year.

The Group also manages other funds through off-balance sheet instruments which at quarter-end totaled Euros 9,206 million and when aggregated to the above-mentioned figure signified a total business volume of Euros 42,746 million, up 14.4% year on year and 5.2% in the first three months of 2001.

Figure 1 plots the variation in period-end total on- and off-balance sheet assets managed since March 2000.

### Shareholders' equity

Consolidated equity amounted to Euros 2,046 million at March 31, 2001, an interannual increase of 13.2%, signifying a book value per share of Euros 9.42.

The computable capital per Bank of Spain solvency requirements amounted to Euros 2,587 million, as compared with the minimum requirement of Euros 415 million, and the resulting solvency ratio was therefore 9.53% as compared with the required legal minimum of 8%.

Under the B.I.S. solvency rules, which are those used at international level, the Group's computable capital amounted to Euros 2,969 million, and the B.I.S. solvency ratio was 11.08%, of which 9.12% related to Tier 1 capital.

Table 2 and Figure 2 plot the variation in the computable capital since March 2000, the required minimum amounts and the two solvency measurements.

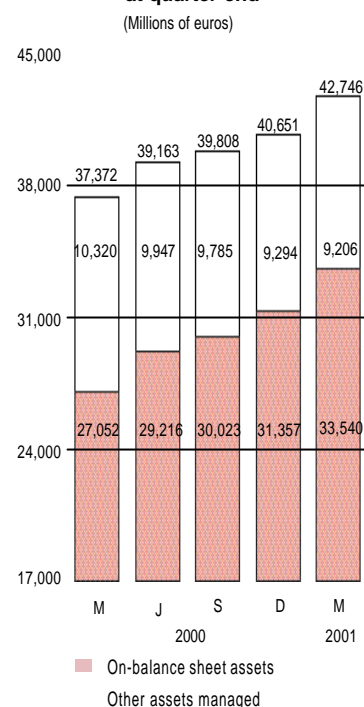
### Agency ratings

The three major international rating agencies have awarded Banco Popular the highest ratings in the Spanish financial system, based on its balance sheet strength, high level of efficiency and profitability. The ratings awarded as of March 31, 2001, were as follows:

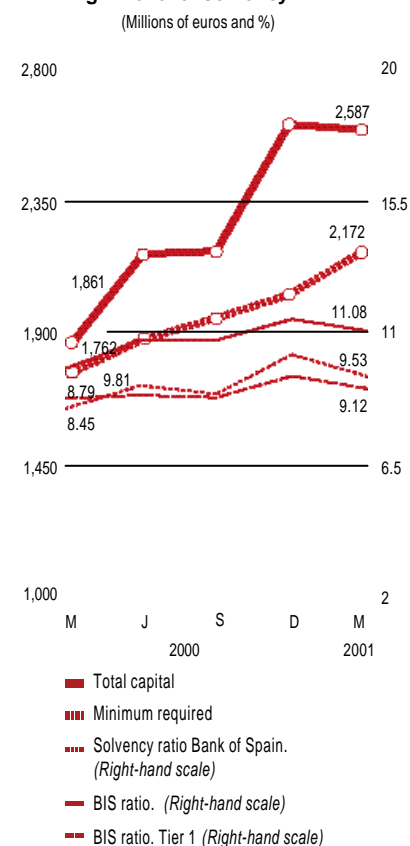
Agency	Individual	Short term	Long term
Fitch IBCA	A	F1+	AA
Moody's	A	P-1	Aa1
Standard & Poor's		A-1+	AA

\* The financial statements supporting this report are unaudited, but were prepared by applying uniform accounting principles and methods consistent with those applied in preparing the audited financial statements in the last Annual Report.

**Fig.1 Total assets managed at quarter-end**



**Fig.2 Level of solvency**



**Table 1. Consolidated Balance Sheets**

(Amounts in thousands of euros)

March 31, 2001

	Pesetas (Millions)			% increase (decrease)		
		December 31 2000	March 31 2000	3 months	12 months	
<b>Assets</b>						
Cash and due from central banks	78,769	473,413	412,106	317,435	14.9	49.1
Government debt securities:	59,143	355,457	302,689	592,597	17.4	(40.0)
<i>Government debt securities, gross</i>	59,158	355,549	302,817	592,696	17.4	(40.0)
<i>Less: Allowance for security price fluctuations</i>	(15)	(92)	(128)	(99)	(28.1)	(7.1)
Due from financial intermediaries:	1,032,304	6,204,269	5,466,607	4,483,389	13.5	38.4
<i>Due from financial intermediaries, gross</i>	1,032,327	6,204,407	5,466,985	4,483,859	13.5	38.4
<i>Less: Allowance for doubtful balances and country risk</i>	(23)	(138)	(378)	(470)	(63.5)	(70.6)
Loans and discounts:	4,032,133	24,233,606	22,962,523	19,414,683	5.5	24.8
<i>Loans and discounts:</i>	4,095,726	24,615,810	23,307,501	19,708,987	5.6	24.9
<i>To public bodies</i>	6,061	36,432	32,656	36,345	11.6	0.2
<i>To other residents</i>	3,948,745	23,732,434	22,657,246	19,178,487	4.7	23.7
<i>To nonresidents</i>	105,579	634,541	416,849	299,266	52.2	>
<i>Nonperforming loans</i>	35,341	212,403	200,750	194,889	5.8	9.0
<i>Less: Allowance for credit losses</i>	(63,593)	(382,204)	(344,978)	(294,304)	10.8	29.9
Private fixed-interest securities:	110,450	663,820	591,920	621,081	12.1	6.9
<i>Private fixed-interest securities, gross</i>	111,056	667,463	595,388	625,904	12.1	6.6
<i>Less: Allowance for security price fluctuations</i>	(606)	(3,643)	(3,468)	(4,823)	5.0	(24.5)
Equity securities:	13,593	81,693	59,944	58,975	36.3	38.5
<i>Equity securities, gross</i>	14,638	87,975	68,011	63,966	29.4	37.5
<i>Less: Allowance for security price fluctuations</i>	(1,045)	(6,282)	(8,067)	(4,991)	(22.1)	25.9
Participating interests	3,719	22,354	4,897	4,219	>	>
Shares of group companies	4,760	28,611	32,581	26,655	(12.2)	7.3
Intangible assets	2,540	15,263	13,615	13,313	12.1	14.6
Goodwill in consolidation	6,712	40,340	6,160	7,916	>	>
Tangible assets:	95,205	572,192	571,172	580,506	0.2	(1.4)
<i>Premises and equipment</i>	100,435	603,628	604,221	611,389	(0.1)	(1.3)
<i>Less: Allowance for potential losses on foreclosed assets and other</i>	(5,230)	(31,436)	(33,049)	(30,883)	(4.9)	1.8
Treasury stock	—	—	—	100,987	—	(100.0)
Prepayments and accrued income	59,774	359,251	349,480	265,446	2.8	35.3
Other asset accounts	81,405	489,255	583,053	565,125	(16.1)	(13.4)
<b>Total</b>	<b>5,580,507</b>	<b>33,539,524</b>	<b>31,356,747</b>	<b>27,052,327</b>	<b>7.0</b>	<b>24.0</b>
<b>Liabilities and Capital</b>						
Due to financial intermediaries	950,067	5,710,018	4,888,588	3,811,158	16.8	49.8
Customer deposits:	3,477,354	20,899,322	20,424,975	18,195,988	2.3	14.9
<i>From public bodies</i>	137,420	825,917	355,111	238,005	>	>
<i>From other residents</i>	2,893,485	17,390,195	17,463,529	15,467,200	(0.4)	12.4
<i>From nonresidents</i>	446,449	2,683,210	2,606,335	2,490,783	2.9	7.7
Bonds and other marketable debt securities	401,119	2,410,771	1,659,162	1,491,083	45.3	61.7
Subordinated financing	35,478	213,225	207,469	—	2.8	—
Other liability accounts	137,708	827,644	695,844	809,191	18.9	2.3
Accruals and deferred income	59,246	356,074	274,261	268,165	29.8	32.8
Special allowances:	90,272	542,545	506,697	363,805	7.1	49.1
<i>For pensions</i>	68,037	408,912	396,966	305,429	3.0	33.9
<i>Other allowances</i>	22,235	133,633	109,731	58,376	21.8	>
Negative difference in consolidation	95	570	570	552	—	3.3
Shareholders' equity:	340,467	2,046,248	1,815,764	1,807,913	12.7	13.2
<i>Common stock</i>	18,066	108,577	108,577	108,577	—	—
<i>Reserves</i>	177,218	1,065,100	931,200	923,858	14.4	15.3
<i>Consolidation reserves</i>	145,183	872,571	775,987	775,478	12.4	12.5
Minority interests	63,871	383,874	355,908	176,046	7.9	>
Year-to-date net income	24,830	149,233	527,509	128,426	—	16.2
<b>Total</b>	<b>5,580,507</b>	<b>33,539,524</b>	<b>31,356,747</b>	<b>27,052,327</b>	<b>7.0</b>	<b>24.0</b>
<b>Pro memoria</b>						
Off-balance sheet risks:	567,748	3,412,236	3,181,783	2,919,695	7.2	16.9
<i>Guarantees and other sureties</i>	521,409	3,133,731	2,899,003	2,655,918	8.1	18.0
<i>Documentary credits</i>	46,244	277,935	269,781	238,602	3.0	16.5
<i>Other contingent liabilities</i>	95	570	12,999	25,175	(95.6)	(97.7)
Allowance for doubtful off-balance sheet risks	7,360	44,234	38,693	31,346	14.3	41.1
Commitments:	740,441	4,450,143	4,464,278	3,931,438	(0.3)	13.2
<i>Unused portion of credit lines</i>	628,002	3,774,369	3,708,572	3,344,526	1.8	12.9
<i>Other commitments</i>	112,439	675,774	755,706	586,912	(10.6)	15.1
Other intermediated customer funds	1,531,716	9,205,803	9,293,993	10,319,697	(0.9)	(10.8)

**Table 2. Consolidated equity**

(Euro thousand)	31.03.01		31.12.00 (*)		31.03.00		% increase (decrease)	
	Pesetas (Millions)						3 months	12 months
Common stock	18,066	108,577	108,577	108,577	108,577	—	—	
Reserves	177,218	1,065,100	1,047,991	923,858	923,858	17,109	141,242	
Consolidation reserves	145,183	872,571	890,254	775,478	775,478	(17,683)	97,093	
Less:								
Treasury stock	—	—	—	(100,987)	(100,987)			
<b>On-balance sheet equity</b>	<b>340,467</b>	<b>2,046,248</b>	<b>2,046,822</b>	<b>1,706,926</b>	<b>1,706,926</b>	<b>(574)</b>	<b>339,322</b>	
Minority interests	63,871	383,874	371,928	176,046	176,046	11,946	207,828	
Preferred stock	29,949	180,000	180,000	—	—	—	—	
Other	33,922	203,874	191,928	176,046	176,046	11,946	27,828	
Subordinated financing	35,478	213,225	207,469	—	—	5,756	—	
Less:								
Intangible assets	(2,540)	(15,263)	(13,615)	(13,313)	(13,313)	(1,648)	(1,950)	
Goodwill	(6,712)	(40,340)	(6,160)	(7,916)	(7,916)	(34,180)	(32,424)	
Other	(160)	(963)	(1,199)	(767)	(767)	236	(196)	
Bank of Spain computable capital	<b>430,404</b>	<b>2,586,781</b>	<b>2,605,245</b>	<b>1,860,976</b>	<b>1,860,976</b>	<b>(18,464)</b>	<b>725,805</b>	
Minimum requirement	361,366	2,171,856	2,026,615	1,761,956	1,761,956	145,241	409,900	
Capital cushion	69,038	414,925	578,630	99,020	99,020	(163,705)	315,905	
<b>Bank of Spain solvency ratio (%)</b>		<b>9,53</b>	<b>10,28</b>	<b>8,45</b>	<b>8,45</b>			
<b>BIS computable capital</b>	<b>493,949</b>	<b>2,968,694</b>	<b>2,883,820</b>	<b>2,137,195</b>	<b>2,137,195</b>	<b>84,874</b>	<b>831,499</b>	
<i>Of which: Tier 1 capital</i>	<i>406,668</i>	<i>2,444,126</i>	<i>2,398,696</i>	<i>1,915,005</i>	<i>1,915,005</i>	<i>45,430</i>	<i>529,121</i>	
Minimum requirement	356,746	2,144,086	2,008,767	1,742,470	1,742,470	135,319	401,616	
Capital cushion	137,203	824,608	875,053	394,725	394,725	(50,445)	429,883	
<b>BIS ratio (%)</b>		<b>11,08</b>	<b>11,48</b>	<b>9,81</b>	<b>9,81</b>			
<i>Of which: Tier 1(%)</i>		<i>9,12</i>	<i>9,55</i>	<i>8,79</i>	<i>8,79</i>			

(\*) After distribution of 2000 income.

The ratings of the three agencies per their latest reports on the Group are summarized below.

Fitch IBCA justified its rating "by Banco Popular's consistently exceptional profitability and excellent asset quality, its strong retail deposit franchise and its adequate capital", adding: "this performance record has been maintained throughout various economic cycles and the Group remains one of the world's most profitable banking groups, a favorable reflection of its management".

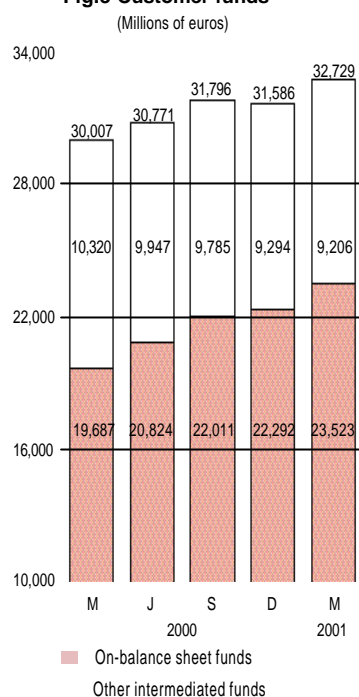
Moody's stated that Banco Popular's ratings "reflect the bank's excellent financial fundamentals, including a very high earning power and strong economic capitalisation".

The Standard & Poor's rating stressed that "the bank's management is highly regarded for its strict underwriting standards, sound knowledge of its core business, and close monitoring of lending activity". This agency's latest report on Spanish banks (dated February 14, 2001) highlights the fact that "Banco Popular has maintained tight control over expenses, having reached an excellent cost-to-income ratio (including amortizations) of 45% in 2000".

### Customer funds

The on-balance sheet customer funds at March 31, 2001, i.e. typical demand and time deposits plus the proceeds of temporary sales of assets, debt issues and subordinated financing, totaled Euros 23,523 million, up 19.5% year on year and 5.5% since the beginning of the year. On the basis of average balances the growth rate was 22.2% higher year on year.

**Fig.3 Customer funds**



Deposits at March 31, 2001, amounted to Euros 20,899 million, up 14.9% year on year and by 2.3% in the quarter. On the basis of average balances the growth rate was 18.5%. The deposits of other sector residents, accounting for 83% of the total, rose by 12.4% year on year and were 0.4% lower in the quarter. Noteworthy in this connection were the 45.3% rise in time deposits and the 57.5% increase in the proceeds of temporary sales of assets.

The funds obtained through the sale of marketable securities amounted to Euros 2,411 million. This caption includes the issues of corporate promissory notes, as an alternative to traditional liabilities, which amounted to Euros 666 million, with increases of 83.9% year on year and 34% in the quarter. It also includes medium- and long-term debt in the Euromarket, with a balance of Euros 1,745 million and increases of 54.5% year on year and 50.1% in the quarter.

The Euros 213 million of subordinated debt relate to three issues in 2000.

The balance of off-balance sheet funds at March end was Euros 9,206 million, a reduction of 10.8% year on year and practically unchanged (down by 0.9%) since the end of 2000, as a result of the decrease in mutual funds, the main component of this caption, which declined by 16.8% year on year and by 3% in the quarter. This reflected the general trend triggered by the negative performance of securities markets in the period, which continued to deter investors from assets of this kind. Per advance data for the sector as whole at

**Table 3. Customer funds**

(Amounts in thousands of euros)	March 31, 2001				% increase (decrease)	
	Pesetas (Millions)		December 31 2000	March 31 2000	3 months	12 months
Customer deposits:	3,477,354	20,899,322	20,424,975	18,195,988	2.3	14.9
From public bodies:	137,420	825,917	355,111	238,005	>	>
Demand deposits	46,089	277,005	252,565	178,549	9.7	55.1
Savings deposits	1,230	7,394	7,879	9,263	(6.2)	(20.2)
Time deposits	7,304	43,897	94,143	45,003	(53.4)	(2.5)
Assets sold under repurchase agreements	82,797	497,621	524	5,190	>	>
Other accounts	-	-	-	-	-	-
From other residents:	2,893,485	17,390,195	17,463,529	15,467,200	(0.4)	12.4
Deposits of private-sector residents:	2,693,145	16,186,128	15,614,366	14,702,840	3.7	10.1
Demand deposits	1,003,771	6,032,787	6,203,987	6,590,893	(2.8)	(8.5)
Savings deposits	514,642	3,093,060	3,210,179	3,252,934	(3.6)	(4.9)
Time deposits	1,174,732	7,060,281	6,200,200	4,859,013	13.9	45.3
Assets sold under repurchase agreements	200,340	1,204,067	1,849,163	764,360	(34.9)	57.5
Other accounts	-	-	-	-	-	-
From nonresidents:	446,449	2,683,210	2,606,335	2,490,783	2.9	7.7
Demand deposits	71,346	428,798	423,949	401,287	1.1	6.9
Savings deposits	95,619	574,681	579,529	575,345	(0.8)	(0.1)
Time deposits	278,371	1,673,042	1,599,204	1,510,645	4.6	10.8
Assets sold under repurchase agreements	500	3,006	2,855	2,268	5.3	32.5
Other accounts	613	3,683	798	1,238	>	>
Bonds and other marketable debt securities	401,119	2,410,771	1,659,162	1,491,083	45.3	61.7
Corporate promissory notes	110,882	666,411	497,274	362,289	34.0	83.9
Euronotes	290,237	1,744,360	1,161,888	1,128,794	50.1	54.5
Subordinated financing	35,478	213,225	207,469	-	2.8	-
Total (a)	3,913,951	23,523,318	22,291,606	19,687,071	5.5	19.5
Other intermediated customer funds:						
Financial assets sold outright						
to customers (outstanding balances)	117,063	703,568	777,569	1,022,655	(9.5)	(31.2)
Mutual funds	968,490	5,820,743	6,002,693	6,993,456	(3.0)	(16.8)
Asset portfolio management	70,576	424,168	313,409	239,328	35.3	77.2
Pension funds	298,200	1,792,219	1,784,853	1,703,695	0.4	5.2
Life insurance technical reserves	77,387	465,105	415,469	360,563	11.9	29.0
Total (b)	1,531,716	9,205,803	9,293,993	10,319,697	(0.9)	(10.8)
Total (a+b)	5,445,667	32,729,121	31,585,599	30,006,768	3.6	9.1

the end of March 2000, the total assets of mutual funds had fallen by 14% in the last twelve months and by 3.8% in the first quarter of 2001.

The balance of pension funds, at Euros 1,792 million, was 5.2% higher than in March 2000 and 0.4% up in the quarter.

Total on- and off-balance sheet funds held by the Group at March 31, 2001, amounted to Euros 32,729 million, up 9.1% year on year and 3.6% from the beginning of the year.

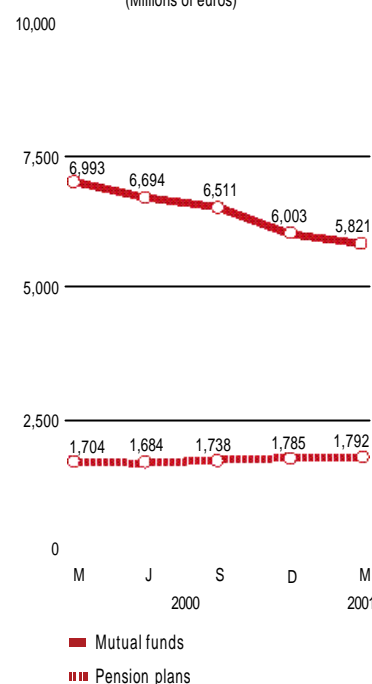
Table 3 shows the evolution over time of customer funds and the breakdown by type, which is also summarized in Figure 3. The performance of mutual and pension funds is plotted in Figure 4.

### Loans and discounts

The Group's loans and discounts totaled Euros 24,616 million at March 31, 2001, up by 24.9% year on year and by 5.6% in the quarter, and represented 73.4% of balance sheet assets and 104.6% of balance sheet customer funds. On the basis of average balances, the growth rate was 24.6%.

The breakdown of loans and discounts by sector and type of transaction and the variation over time are shown in Table 4 and summarized in Figure 5.

**Fig.4 Mutual funds and pension plans managed**  
(Millions of euros)

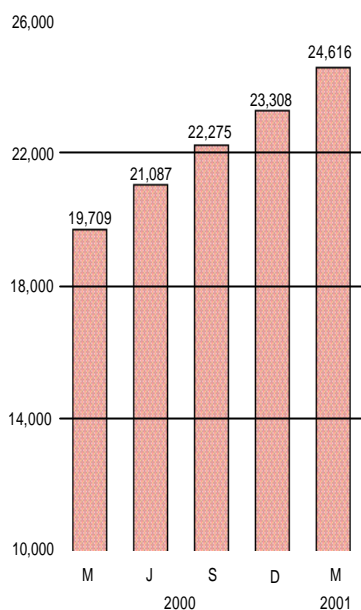


**Table 4. Loans and discounts**

(Amounts in thousands of euros)	March 31, 2001				% increase (decrease)	
	Pesetas (Millions)		December 31 2000	March 31 2000	3 months	12 months
<i>To public bodies:</i>	6,061	36,432	32,656	36,345	11.6	0.2
Secured loans	–	–	–	–	–	–
Other term loans	5,772	34,692	32,587	36,235	6.5	(4.3)
Overdrafts and other	289	1,740	69	110	>	>
<i>To other residents:</i>	3,948,745	23,732,434	22,657,246	19,178,487	4.7	23.7
Trade loans and discounts	696,674	4,187,096	4,105,329	3,406,134	2.0	22.9
Secured loans	1,536,136	9,232,360	8,520,249	7,222,364	8.4	27.8
Mortgage loans	1,530,793	9,200,248	8,472,759	7,202,278	8.6	27.7
Other	5,343	32,112	47,490	20,086	(32.4)	59.9
Other term loans:	1,281,038	7,699,192	7,591,455	6,475,083	1.4	18.9
Loans and credits	1,276,485	7,671,831	7,529,682	6,473,819	1.9	18.5
Repos	4,553	27,361	61,773	1,264	(55.7)	>
Overdrafts and other	156,135	938,390	863,328	741,012	8.7	26.6
Leasing	278,762	1,675,396	1,576,885	1,333,894	6.2	25.6
<i>To nonresidents:</i>	105,579	634,541	416,849	299,266	52.2	>
Trade loans and discounts	27,641	166,124	6,646	3,719	>	>
Secured loans	42,291	254,176	238,116	179,176	6.7	41.9
Mortgage loans	40,046	240,685	223,775	160,326	7.6	50.1
Other	2,245	13,491	14,341	18,850	(5.9)	(28.4)
Other term loans	30,436	182,925	155,163	93,465	17.9	95.7
Overdrafts and other	5,211	31,316	16,924	22,906	85.0	36.7
<i>Nonperforming loans:</i>	35,341	212,403	200,750	194,889	5.8	9.0
To public bodies	107	641	641	684	–	(6.3)
To other residents	33,773	202,979	197,246	192,191	2.9	5.6
To nonresidents	1,461	8,783	2,863	2,014	>	>
<b>Total</b>	<b>4,095,726</b>	<b>24,615,810</b>	<b>23,307,501</b>	<b>19,708,987</b>	<b>5.6</b>	<b>24.9</b>

**Fig.5 Loans and discounts**

(Millions of euros)



Credit to private-sector resident borrowers represented 96.4% of total loans and discounts, revealing strong growth in all categories, with rises of 22.9% in trade loans and discounts, 27.7% in mortgage loans, 18.5% in personal credits and loans, and 25.6% in leasing transactions.

Per the latest available (February) data, credit to residents in the Spanish financial system as a whole increased by 14.3% year on year (9.8% at banks and 20.2% at savings banks). Compared with the Group figures, this indicates that the Group's market share continued to increase considerably.

### Risk management

The Group's troubled balances (nonperforming loans) at quarter-end amounted to Euros 220 million, an increase of 10.2% compared with March 31, 2000. In the first three months of 2001 Euros 54 million of assets were transferred to this category, Euros 29 million of transactions were favorably settled, and others of Euros 14 million were written off against credit loss allowances. The resulting net increase of Euros 11 million in nonperforming loans was 5.3% higher than the figure for December 2000.

Asset quality is at a record high level. The nonperforming loans ratio, i.e. nonperforming loans net of writeoffs as a percentage of total risks, stands at 0.78%, as compared with 0.79% at 2000 year-end and 0.88% in March 2000.

**Table 5. Risk management performance**

(Amounts in thousands of euros)

	March 31, 2001		March 31 2000	Variation	
	Pesetas (Millions)			Amount	%
<i>Nonperforming loans*:</i>					
Balance at January 1	34,708	208,603	196,013	12,590	6.4
<i>Additions</i>	8,976	53,948	46,398	7,550	16.3
<i>Balances recovered</i>	(4,843)	(29,107)	(30,487)	1,380	(4.5)
Net variation for the year	4,133	24,841	15,911	8,930	56.1
% increase		11.9	8.1		
Writeoffs	(2,276)	(13,681)	(12,437)	(1,244)	10.0
Balance at March 31	36,565	219,763	199,487	20,276	10.2
<i>Allowance for credit losses:</i>					
Balance at January 1	63,874	383,891	328,201	55,690	17.0
Annual provision:					
Gross	10,379	62,382	23,025	39,357	>
Recoveries	(1,408)	(8,466)	(11,643)	3,177	(27.3)
Net	8,971	53,916	11,382	42,534	>
Other variations	471	2,835	(1)	2,836	
Writeoffs	(2,276)	(13,681)	(12,437)	(1,244)	10.0
Balance at March 31	71,040	426,961	327,145	99,816	30.5
<i>Foreclosed real estate assets</i>	12,769	76,742	103,490	(26,748)	(25.8)
<i>Allowance for potential losses on foreclosed assets</i>	5,185	31,160	30,536	624	2.0
<i>Pro memoria:</i>					
Total risks	4,663,396	28,027,573	22,627,501	5,400,072	23.9
Loans transferred to suspense accounts	102,101	613,640	562,291	51,349	9.1
Nonperforming mortgage loans	2,176	13,081	37,807	(24,726)	(65.4)
<i>Risk quality measures (%):</i>					
Nonperformance (Nonperforming loans/Total risks)		0.78	0.88		
Insolvency (Writeoffs/Total risks)		0.05	0.05		
Coverage: (Credit loss allowance/Nonperforming loans)		194.28	163.99		
(Credit loss allowance plus mortgages/ Nonperforming loans)		200.23	182.95		

\* Including doubtful off-balance sheet risks, but excluding country risk and the related country risk allowance

Even though the foregoing figures evidence the soundness of its balance sheet, the Group continues to record substantial provisions, in line with its customary policy of prudence. Net provisions to credit loss allowances in the first quarter of 2001 amounted to Euros 54 million, 364% more than in the same period of the preceding year. Euros 21 million of the foregoing amount were specific provisions for identified risks, Euros 14 million were general provisions, and Euros 19 million related to the statistical credit loss allowance (SCLA) which did not exist in March 2000. Euros 6 million of balances classified as bad debts were recovered during the quarter.

The recorded credit loss allowances now total Euros 427 million, 30.5% higher than in March 2000, and Euros 8 million in excess of the current minimum requirement. The coverage ratio, i.e. the aggregate loss allowances as a percentage of total nonperforming loans, is currently 194.3%, compared with 164% at March 31, 2000.

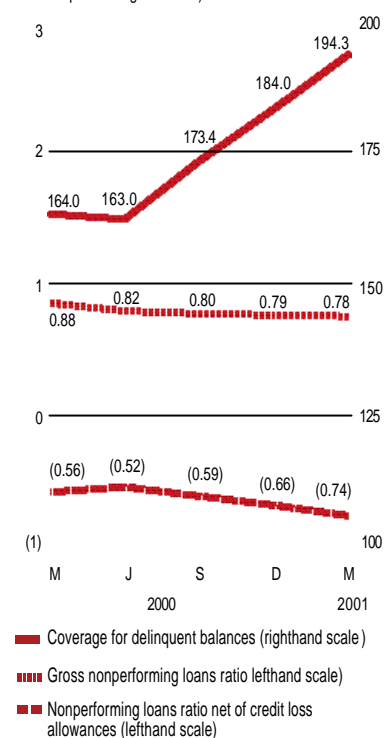
Foreclosed real estate assets, mainly buildings, amounted to Euros 77 million, 25.8% lower than in March 2000, as a result of the active disposal of such assets by sale. To cover possible losses in such disposals, there was an allowance of Euros 31 million at quarter-end, representing a coverage of 40.6% of their book value.

Tables 5 and 6 detail the management of nonperforming loans and coverage therefor since March 2000, and Figure 6 summarizes the variation in the nonperforming loans ratio and allowance coverage in the same period of time.

Euros 19 million of other precautionary provisions, not included in the calculation of the foregoing ratios, were booked in the quarter, thus strengthening the already high balance sheet soundness of the Group.

**Fig.6 Variation in the nonperforming loans ratio and coverage for delinquent balances**

(Nonperforming loans at year end as % of total risks, and credit loss allowance as % of nonperforming balances)



**Table 6. Allowance for nonperforming loans as of March 31**

(Amounts in thousands of euros)

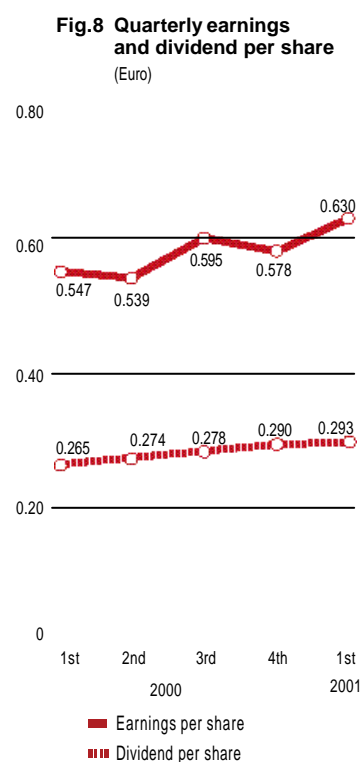
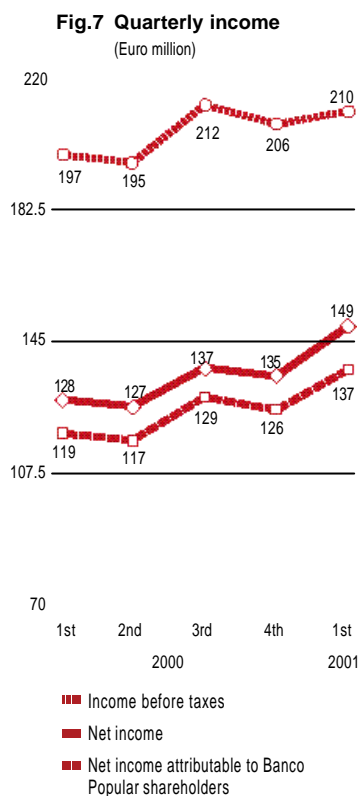
	2001		2000		2000	
	Balance	Total Provisioning	Balance	Total Provisioning	Balance	Total Provisioning
	Pesetas (Millions)					
Doubtful balances with specific allowances: . . . . .	32,908	18,994	197,781	114,159	166,402	104,987
Ordinary. . . . .	30,596	17,721	183,884	106,509	130,451	84,075
Secured by prime collateral . . . . .	1,165	607	7,004	3,649	30,472	17,173
Off-balance sheet risks . . . . .	1,147	666	6,893	4,001	5,479	3,739
Doubtful balances with generic allowances. . . . .	3,373	29	20,275	172	30,661	270
Doubtful balances for which allowances are not required. . . . .	284		1,707		2,424	247
Total nonperforming loans . . . . .	36,565	19,023	219,763	114,331	199,487	105,504
Other specific provisioning . . . . .	2,857	271	17,173	1,631		
Allowances for ordinary risks. . . . .	4,588,295	42,008	27,576,210	252,476	22,598,951	198,844
General provisioning (1%) . . . . .	3,813,444	38,134	22,919,264	229,192	17,169,473	171,697
Reduced provisioning (0.5%) . . . . .	774,851	3,874	4,656,948	23,284	5,429,478	27,147
Statistical allowance . . . . .		8,423		50,625		
Total required provisions . . . . .		69,726		419,063		304,348
Balance of credit loss allowances . . . . .		71,040		426,961		327,145
Surplus . . . . .		1,314		7,898		22,797

## Earnings and profitability

### Income statement

Table 7 is the income statement at March 31, 2001, compared with that at the same date in 2000.

The pretax income of Euros 209.9 million in the first quarter of 2001 was 6.3% higher year on year. Corporate income tax was 12.2% lower due to the tax impact of the externalization of the pension allowances of the Group banks pactured at the end of 2000, which will be reflected in the books in the coming months after completion of the procedures for its instrumentation. This effect, which will arise throughout the year 2001, makes it possible to conform the gross result to the objective of profitability in terms of income attributable to Banco Popular shareholders.



**Table 7. First-quarter consolidated statements of income**

	2001			
	Pesetas (Millions)	2000	2000	% increase (decrease)
Interest and similar revenues	91,412	549,398	381,350	44.1
- Interest and similar charges:	37,596	225,956	114,682	97.0
<i>On liabilities</i>	36,703	220,587	110,230	>
<i>Allocable to pension allowance</i>	893	5,369	4,452	20.6
+ Revenues from equity securities	967	5,810	5,300	9.6
<b>= Net interest revenue</b>	<b>54,783</b>	<b>329,252</b>	<b>271,968</b>	<b>21.1</b>
+ Fees for services, net:	23,975	144,093	125,945	14.4
<i>Loan-related fees</i>	3,146	18,907	14,228	32.9
<i>Fees for guarantees, other sureties and documentary credits</i>	1,912	11,493	9,838	16.8
<i>Fees for other banking services</i>	18,917	113,693	101,879	11.6
<b>= Basic banking revenue</b>	<b>78,758</b>	<b>473,345</b>	<b>397,913</b>	<b>19.0</b>
+ Asset trading and exchange profits, net:	2,176	13,076	10,754	21.6
<i>Financial asset trading income</i>	437	2,625	5,343	(50.9)
<i>Writedowns of securities portfolio and derivatives</i>	334	2,005	(1,048)	
<i>Exchange, translation and dealing gains</i>	1,405	8,446	6,459	30.8
<b>= Ordinary revenue</b>	<b>80,934</b>	<b>486,421</b>	<b>408,667</b>	<b>19.0</b>
- Operating costs:	30,482	183,200	160,799	13.9
<i>Personnel expenses</i>	22,099	132,819	115,980	14.5
<i>General expenses</i>	7,147	42,952	38,403	11.8
<i>Taxes other than income tax</i>	1,236	7,429	6,416	15.8
- Depreciation	2,804	16,851	16,701	0.9
+ Other operating income	65	392	442	(11.3)
- Other operating expenses:	1,744	10,484	9,721	7.8
<i>Contribution to Deposit Guarantee Fund</i>	723	4,346	3,822	13.7
<i>Directors' fees and other mandated appropriations</i>	955	5,741	5,753	(0.2)
<i>Other</i>	66	397	146	>
<b>= Operating income</b>	<b>45,969</b>	<b>276,278</b>	<b>221,888</b>	<b>24.5</b>
+ Share in equity method investees' income, net	(493)	(2,960)	(2,496)	18.6
- Amortization of goodwill in consolidation	234	1,408	585	>
+ Gains (Losses) on group transactions, net	329	1,979	351	>
- Writeoffs and provisions for credit losses:	7,890	47,419	4,522	>
<i>Provision to allowance for credit losses</i>	8,958	53,838	11,613	>
<i>Recovery of bad debts written off</i>	(1,068)	(6,419)	(7,091)	(9.5)
± Extraordinary gains (losses), net:	(2,765)	(16,619)	(17,201)	(3.4)
<i>Gain on disposal of fixed assets</i>	805	4,835	1,854	>
<i>Recovery of pension allowance</i>	2	14	-	
<i>Extraordinary provision to allowance for pensions</i>	(279)	(1,676)	(6,091)	(72.5)
<i>Provision to allowances for other purposes</i>	(2,783)	(16,725)	(10,431)	60.3
<i>Other</i>	(510)	(3,067)	(2,533)	21.1
<b>= Income before taxes</b>	<b>34,916</b>	<b>209,851</b>	<b>197,435</b>	<b>6.3</b>
- Corporate income tax provision	10,086	60,618	69,009	(12.2)
<b>= Net income</b>	<b>24,830</b>	<b>149,233</b>	<b>128,426</b>	<b>16.2</b>
- Minority interests	2,055	12,355	9,538	29.5
<b>= Net income attributable to Popular shareholders</b>	<b>22,775</b>	<b>136,878</b>	<b>118,888</b>	<b>15.1</b>

The net income after deduction of minority interests amounted to Euros 149.2 million, 16.2% higher than in the same quarter of 2000, signifying income attributable to Banco Popular shareholders of Euros 136.9 million, an increase of 15.1%. Earnings per share in the quarter amounted to Euros 0.63, 15.1% up on the first quarter of 2000.

Figure 7 plots the growth of the three levels of income in the last five quarters and Figure 8 shows the earnings and dividend per share in the same period.

The performance of the main items in the income statement is analyzed in the following paragraphs.

The net interest revenue of Euros 329.3 million was very significantly higher, with increases of 21.1% over March 2000 and of 11.7% over the last quarter of 2000, mainly as a result of the increase in loans and discounts.

Service fee revenues were up by 14.4% at Euros 144.1 million, with very satisfactory performances in all captions except mutual fund fees, which fell by 19.2% for the reasons mentioned earlier. The breakdown and variation over time are shown in Table 8 and Figure 9.

Table 8. Service revenues as of March 31				
	2001			
	Pesetas (Millions)		2000	% variation
(Amounts in thousands of euros)				
Loan-related fees:	3,146	18,907	14,228	32.9
<i>Bill discounting</i>	1,943	11,676	8,930	30.8
<i>Other</i>	1,203	7,231	5,298	36.5
Provision of guarantees and other sureties	1,912	11,493	9,838	16.8
Operating services:	18,917	113,693	101,879	11.6
Collection and payment handling :	8,831	53,074	44,087	20.4
<i>Note collection</i>	2,409	14,477	12,129	19.4
<i>Checks</i>	922	5,543	4,578	21.1
<i>Direct debit transactions</i>	618	3,716	3,163	17.5
<i>Payment systems</i>	3,308	19,881	16,049	23.9
<i>Fund transfers</i>	1,574	9,457	8,168	15.8
Foreign currency purchase and sale transactions	269	1,615	1,531	5.5
Customer financial asset management:	7,468	44,884	45,756	(1.9)
<i>Securities portfolio (including share sale offerings)</i>	1,515	9,107	6,376	42.8
<i>Mutual funds</i>	4,009	24,091	29,822	(19.2)
<i>Pension plans</i>	1,944	11,686	9,558	22.3
Administration of demand deposits	1,570	9,435	8,400	12.3
Other	779	4,685	2,105	>
<b>Total</b>	<b>23,975</b>	<b>144,093</b>	<b>125,945</b>	<b>14.4</b>

The financial asset trading income of Euros 13.1 million was 21.6% higher than in the first quarter of 2000.

Ordinary revenue, i.e. the sum of the three foregoing components, amounted to Euros 486.4 million, up 19% year on year and 10.4% on the preceding quarter (adjusted for the extraordinary gain on the sale of the holding in Avasa company).

Operating costs in the quarter amounted to Euros 183.2 million, 13.9% more than in the first quarter of 2000. Due to the externalization of the pension commitments to serving employees, since January 2001 these costs include items previously reflected in provisions to pension allowances; consequently the comparison with the preceding year is not uniform. Eliminating this effect (which includes the higher number of employees covered, the change in technical bases, and others) the variation in operating costs was an increase of 8.6% over the first quarter of the previous year.

Fig.9 Service revenues  
(Millions of euros)

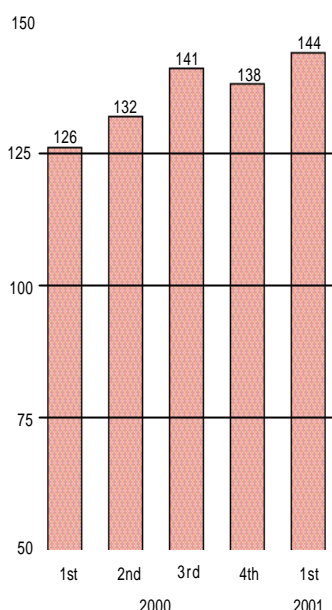
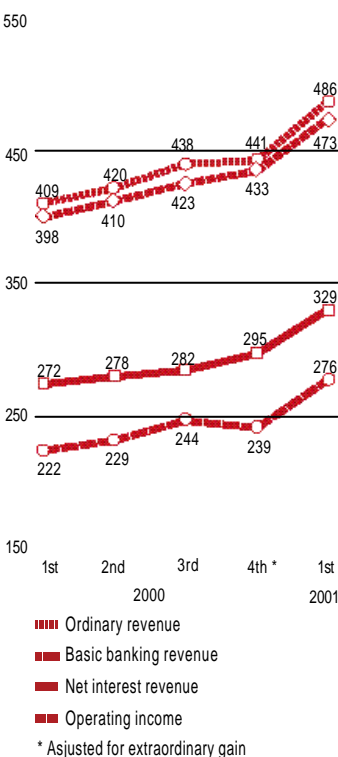
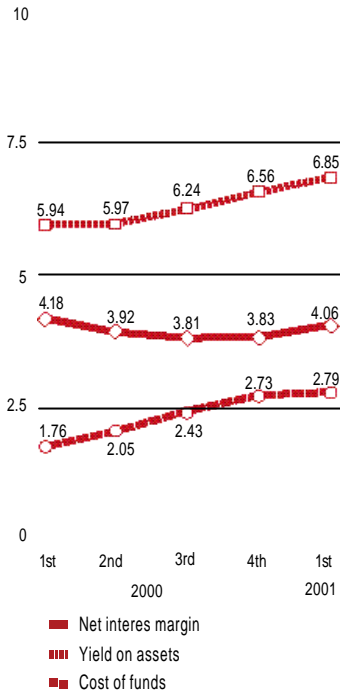


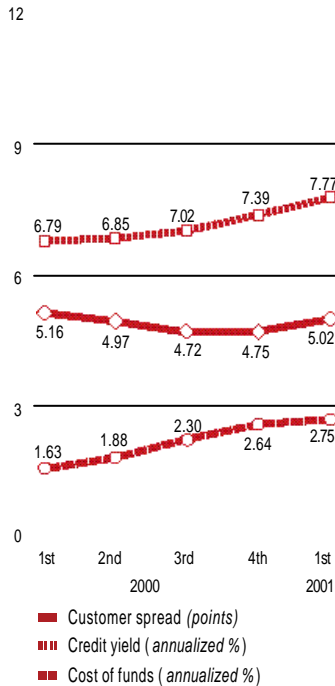
Fig.10 Quarterly revenues  
(Millions of euros)



**Fig.11 Net interest margin**  
(As % of average total assets)



**Fig.12 Quarterly customer spread**



Operating income amounted to Euros 276.3 million, up 24.5% on the same quarter in 2000 and 15.7% on the preceding quarter (adjusted for the extraordinary gain mentioned earlier). These rates of increase clearly evidence the policy of profitable growth of the business in conjunction with moderation of operating costs.

Figure 10 plots the variation in these margins in the last five quarters.

Noteworthy in the lower portion of the income statement are the Euros 53.8 million of provisions to credit loss allowances (including the provision of Euros 18.8 million to the statistical allowance) and the Euros 16.7 million of provisions for other purposes. The provision of Euros 1.7 million to the pension allowance was 72.5% lower than in the first quarter of 2000 as a consequence of the effect described above.

**Table 9. Quaterly income and profitability**

	2000				2001	Pesetas (Millions)
	1st	2nd	3rd	4th	1st	
(Amounts in thousands of euros)						
Interest and similar revenues	386,650	422,582	462,108	505,062	555,208	92,379
- Interest and similar charges	114,682	144,929	179,706	210,276	225,956	37,596
<b>= Net interest revenue</b>	<b>271,968</b>	<b>277,653</b>	<b>282,402</b>	<b>294,786</b>	<b>329,252</b>	<b>54,783</b>
+ Fees for services, net	125,945	132,239	141,069	138,168	144,093	23,975
+ Asset trading and exchange profits, net	10,754	9,940	14,606	84,191	13,076	2,176
<b>= Ordinary revenue</b>	<b>408,667</b>	<b>419,832</b>	<b>438,077</b>	<b>517,145</b>	<b>486,421</b>	<b>80,934</b>
- Operating costs:	160,799	164,320	167,243	175,298	183,200	30,482
<i>Personnel expenses</i>	115,980	118,663	120,036	122,342	132,819	22,099
<i>Other expenses</i>	44,819	45,657	47,207	52,956	50,381	8,383
- Depreciation	16,701	16,759	17,008	17,006	16,851	2,804
± Other operating income/expenses, net	(9,279)	(9,478)	(9,424)	(9,489)	(10,092)	(1,679)
<b>= Operating income</b>	<b>221,888</b>	<b>229,275</b>	<b>244,402</b>	<b>315,352</b>	<b>276,278</b>	<b>45,969</b>
± Other items, net	(2,824)	7,166	6,780	2,016	787	131
- Provisions and writedowns	21,629	41,105	39,641	111,266	67,214	11,184
<b>= Income before taxes</b>	<b>197,435</b>	<b>195,336</b>	<b>211,541</b>	<b>206,102</b>	<b>209,851</b>	<b>34,916</b>
- Corporate income tax provision	69,009	68,768	74,080	71,048	60,618	10,086
<b>= Net income</b>	<b>128,426</b>	<b>126,568</b>	<b>137,461</b>	<b>135,054</b>	<b>149,233</b>	<b>24,830</b>
- Minority interests	9,538	9,572	8,308	9,534	12,355	2,055
<b>= Net income attributable</b>	<b>118,888</b>	<b>116,996</b>	<b>129,153</b>	<b>125,520</b>	<b>136,878</b>	<b>22,775</b>

	2000				2001
	1st	2nd	3rd	4th	1st
(As annualized % of average total assets)					
Yield on assets	5.94	5.97	6.24	6.56	6.85
- Cost of funds	1.76	2.05	2.43	2.73	2.79
<b>= Net interest margin</b>	<b>4.18</b>	<b>3.92</b>	<b>3.81</b>	<b>3.83</b>	<b>4.06</b>
+ Yield on services, net	1.93	1.87	1.91	1.80	1.78
+ Yield on financial assets trading and exchange profits	0.17	0.14	0.20	1.09	0.16
<b>= Ordinary margin</b>	<b>6.28</b>	<b>5.93</b>	<b>5.92</b>	<b>6.72</b>	<b>6.00</b>
- Operating costs:	2.47	2.32	2.26	2.28	2.26
<i>Personnel costs</i>	1.78	1.68	1.62	1.59	1.64
<i>Other expenses</i>	0.69	0.64	0.64	0.69	0.62
- Depreciation	0.26	0.24	0.23	0.22	0.21
± Other operating income/expenses, net	(0.14)	(0.13)	(0.13)	(0.12)	(0.12)
<b>= Operating profitability</b>	<b>3.41</b>	<b>3.24</b>	<b>3.30</b>	<b>4.10</b>	<b>3.41</b>
± Other items, net	(0.05)	0.10	0.09	0.03	0.01
- Provisions and writedowns	0.33	0.58	0.53	1.45	0.83
<b>= Pre-tax income return</b>	<b>3.03</b>	<b>2.76</b>	<b>2.86</b>	<b>2.68</b>	<b>2.59</b>
- Corporate income tax	1.06	0.97	1.00	0.92	0.75
<b>= Net income return (ROA)</b>	<b>1.97</b>	<b>1.79</b>	<b>1.86</b>	<b>1.76</b>	<b>1.84</b>

Pro memoria:					
<i>Leverage</i>	13.4 x	14.5 x	15.4 x	15.8 x	14.5 x
<b>Net return on average equity (ROE)</b>	<b>26.30</b>	<b>25.90</b>	<b>28.60</b>	<b>27.79</b>	<b>26.76</b>
Operating efficiency	39.35	39.14	38.18	39.79*	37.66

\* Adjusted for extraordinary gain.

The provisions and writedowns charged to income in the quarter, consisting of those mentioned earlier and others of lower amount, totaled Euros 67.2 million, net of the Euros 6.4 million of the bad debt recoveries, were 210.8% higher than the figure for the first quarter of 2000, and constitute a synthesis of the policy of prudence consistently applied by the Group.

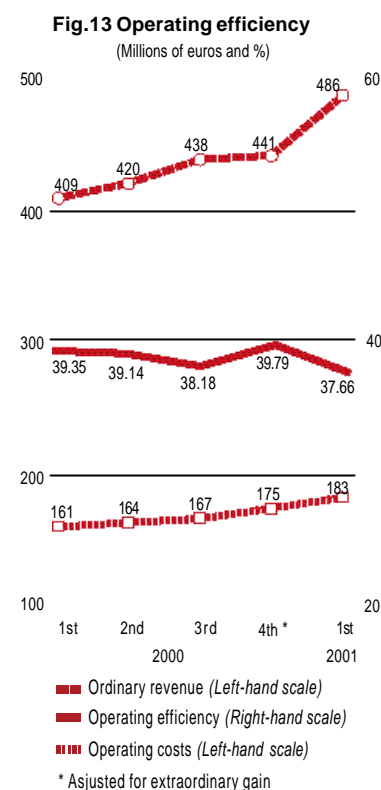
Table 9 shows the detail of the income statement for the last five quarters in absolute amounts and in percentages of average total assets for each period.

## Yields and costs

Table 10 shows the average balances of assets and funds in the first quarters of 2001 and 2000, the percentage distribution thereof, the related interest revenues and expenses, and the resulting annualized average rates of yield and cost. Similar distribution and rate data for the last five quarters are presented in Table 11.

Average total assets in the first quarter of 2001 amounted to Euros 32,427 million, an increase of 24.6% year on year and 13% since the beginning of the year. The growth of the business is obvious, considering that the rates one year earlier were 11% and 2.2%, respectively.

The average yield on assets in the first quarter was 6.85%, 91 basis points higher than in the same period of 2000. The average cost of funds was 2.79%, an increase of 103 basis points, and the resulting net interest margin on average total assets was 4.06%, compared with 4.18%.



**Table 10. First-quarter yields and costs**

	2001					2000				
	Average balance Pesetas (Millions)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)	
Treasury bills and Bank of Spain certificates of deposit . . .	37,969	228,196	0.70	2,405	4.22	496,986	1.91	5,598	4.51	
Financial system:	993,501	5,971,060	18.41	72,941	4.89	4,208,353	16.17	44,226	4.20	
In euros . . . . .	677,283	4,070,554	12.55	43,484	4.27	2,888,974	11.10	24,695	3.42	
In foreign currencies . . . . .	316,218	1,900,506	5.86	29,457	6.20	1,319,379	5.07	19,531	5.92	
Loans and discounts:	3,977,503	23,905,276	73.72	464,450	7.77	19,182,649	73.71	325,614	6.79	
In euros . . . . .	3,930,938	23,625,417	72.86	459,848	7.79	18,934,802	72.75	321,705	6.80	
In foreign currencies . . . . .	46,565	279,859	0.86	4,602	6.58	247,847	0.96	3,909	6.31	
Securities portfolio:	145,120	872,193	2.69	15,412	7.07	685,852	2.64	11,212	6.54	
Government debt securities . . . . .	17,737	106,601	0.33	1,368	5.13	60,772	0.23	846	5.57	
Other fixed-interest securities . . . . .	106,500	640,080	1.97	8,234	5.15	527,068	2.03	5,066	3.84	
Equity securities . . . . .	20,883	125,512	0.39	5,810	18.52	98,012	0.38	5,300	21.63	
Total earning assets (a) . . . . .	5,154,093	30,976,725	95.52	555,208	7.17	24,573,840	94.43	386,650	6.29	
Other assets . . . . .	241,336	1,450,455	4.48	—	—	1,451,610	5.57	—	—	
<b>Total assets . . . . .</b>	<b>5,395,429</b>	<b>32,427,180</b>	<b>100.00</b>	<b>555,208</b>	<b>6.85</b>	<b>26,025,450</b>	<b>100.00</b>	<b>386,650</b>	<b>5.94</b>	
Financial system:	838,392	5,038,841	15.54	64,125	5.09	3,622,576	13.92	34,104	3.77	
In euros . . . . .	595,256	3,577,560	11.03	43,478	4.86	2,848,408	10.94	23,455	3.29	
In foreign currencies . . . . .	243,136	1,461,281	4.51	20,647	5.65	774,168	2.98	10,649	5.50	
Customer funds:	3,790,131	22,779,143	70.25	156,462	2.75	18,633,949	71.60	76,126	1.63	
Customer accounts:	3,440,183	20,675,914	63.76	130,128	2.52	17,449,529	67.05	66,081	1.51	
In euros:	3,297,278	19,817,038	61.11	120,447	2.43	16,588,411	63.74	56,489	1.36	
Demand and savings deposits . . . . .	1,733,106	10,416,178	32.12	23,690	0.91	10,201,298	39.20	16,074	0.63	
Time deposits . . . . .	1,263,249	7,592,277	23.42	75,286	3.97	5,458,343	20.98	31,984	2.34	
Assets sold under repurchase agreements	300,698	1,807,231	5.57	21,471	4.75	927,511	3.56	8,431	3.64	
Other . . . . .	225	1,352	—	—	—	1,259	—	—	—	
In foreign currencies . . . . .	142,905	858,876	2.65	9,681	4.51	861,118	3.31	9,592	4.46	
Bonds and other marketable debt securities . . .	349,948	2,103,229	6.49	26,334	5.01	1,184,420	4.55	10,045	3.39	
Pension allowance . . . . .	67,053	402,998	1.24	5,369	5.33	303,810	1.17	4,452	5.86	
Total interest-bearing liabilities (b) . . . . .	4,695,576	28,220,982	87.03	225,956	3.20	22,560,335	86.69	114,682	2.03	
Other non-interest-bearing liabilities . . . . .	359,385	2,159,950	6.66	—	—	1,657,202	6.36	—	—	
Capital accounts . . . . .	340,467	2,046,248	6.31	—	—	1,807,913	6.95	—	—	
<b>Total liabilities and capital . . . . .</b>	<b>5,395,429</b>	<b>32,427,180</b>	<b>100.00</b>	<b>225,956</b>	<b>2.79</b>	<b>26,025,450</b>	<b>100.00</b>	<b>114,682</b>	<b>1.76</b>	
Spread (a-b) . . . . .					3.97				4.26	

**Table 11. Quarterly yields and costs**

(Data in % and rates annualized)

	2000										2001	
	1st		2nd		3rd		4th		1st			
	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate	Distribution	Rate		
Treasury bills and Bank of Spain certificates of deposit	1.91	4.51	1.62	4.37	1.32	4.54	0.82	4.29	0.70	4.22		
Financial system	16.17	4.20	17.29	4.51	17.38	5.27	16.62	5.45	18.41	4.89		
Loans and discounts	73.71	6.79	72.53	6.85	73.09	7.02	73.91	7.39	73.72	7.77		
Securities portfolio	2.64	6.54	3.13	4.81	2.91	4.57	3.17	4.96	2.69	7.07		
<i>Total earning assets (a)</i>	94.43	6.29	94.57	6.31	94.70	6.59	94.52	6.94	95.52	7.17		
Other assets	5.57	—	5.43	—	5.30	—	5.48	—	4.48	—		
<b>Total assets</b>	<b>100.00</b>	<b>5.94</b>	<b>100.00</b>	<b>5.97</b>	<b>100.00</b>	<b>6.24</b>	<b>100.00</b>	<b>6.56</b>	<b>100.00</b>	<b>6.85</b>		
Financial system	13.92	3.77	15.59	4.18	14.09	4.99	14.89	5.30	15.54	5.09		
Customer funds	71.53	1.63	70.63	1.88	71.96	2.30	71.02	2.64	70.25	2.75		
Pension allowance	1.17	5.86	1.09	6.37	1.08	6.50	1.10	6.59	1.24	5.33		
<i>Total interest-bearing liabilities (b)</i>	86.62	2.03	87.31	2.34	87.13	2.79	87.01	3.14	87.03	3.20		
Other non-interest-bearing liabilities	6.43	—	6.31	—	6.77	—	7.12	—	6.66	—		
Capital accounts	6.95	—	6.38	—	6.10	—	5.87	—	6.31	—		
<b>Total liabilities and capital</b>	<b>100.00</b>	<b>1.76</b>	<b>100.00</b>	<b>2.05</b>	<b>100.00</b>	<b>2.43</b>	<b>100.00</b>	<b>2.73</b>	<b>100.00</b>	<b>2.79</b>		
<i>Spread (a-b)</i>		4.26		3.97		3.80		3.80		3.97		
<i>Pro memoria: Average total assets (thousands of euros)</i>		26,025,450		28,326,430		29,622,695		30,777,626		32,427,180		

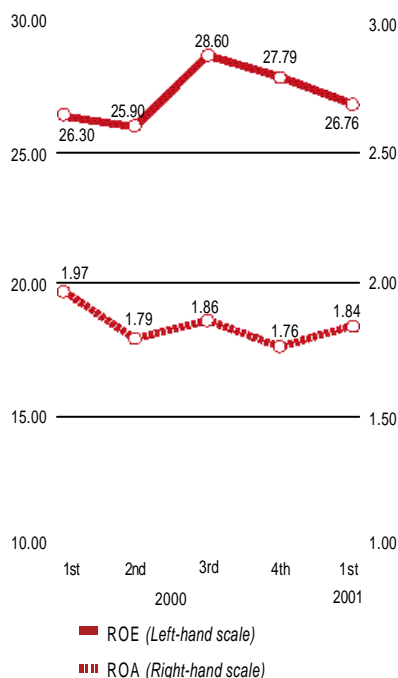
Subtraction from the average yield on earning assets of the average cost of interest-bearing liabilities leaves the spread, which was 3.97 and 4.26 percentage points in the two periods addressed, a decrease of 29 basis points.

The customer spread, i.e. yield on loans and discounts minus cost of customer funds, was 5.02 percentage points, 14 basis points lower than twelve months earlier.

Figures 11 and 12 show the variations in the last five quarters in the average rates of yield and cost and of the margins.

**Fig.14 ROA and ROE**

(Annualized %)



### Operating performance

The lower portion of Table 9 shows the income statements for the first quarter of 2001 and the four quarters of 2000 as annualized percentages of average total assets.

The margins on average total assets were slightly lower than for the same quarter of 2000 but appreciably better than for the preceding quarter (to make the comparison uniform, the figures for the last quarter of 2000 have been adjusted for the extraordinary gain on the sale of the Avasa company).

The net interest margin of 4.06% on average total assets in the quarter was 12 basis points lower than in the same quarter of 2000 but 23 basis points higher than in the fourth quarter of 2000. The performance of the ordinary margin was similar: 28 basis points lower year on year, but 27 basis points higher than in the fourth quarter of 2000.

Operating profitability in the quarter was 3.41% on average total assets, the same as in the same quarter of 2000, but 31 basis points higher than in the fourth quarter of 2000. The ROA was 1.84%, 13 basis points lower than at March 31, 2000, but 8 basis points higher than in the preceding quarter.

The operating efficiency indicator, i.e. the portion of ordinary revenue absorbed by operating costs, improved significantly to 37.66% in the quarter, as compared with 39.35% in the same period of 2000 and 39.79% (adjusted) in the fourth quarter of 2000. Figure 13 plots the variation in this indicator in the last five quarters.

The leverage coefficient, i.e. the ratio of average total assets to average equity, was 14.5 times as compared with 13.4 times twelve months earlier and 15.8 times in the preceding quarter.

Finally, the ROE, i.e. attributable net income as an annualized percentage of average equity, was 26.76%, as compared with 26.30% in March 2000 and 27.79% in the fourth quarter of 2000.

The variations in ROA and ROE in the last five quarters are plotted in Figure 14.

## Market performance of Banco Popular shares

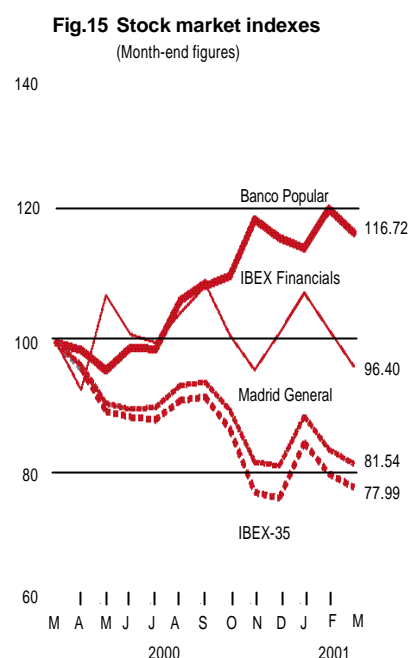
The Bank's share price closed at Euros 37.35 at the end of the first quarter, 16.7% higher than the matching figure of Euros 32 twelve months earlier. This compared very favorably with the performance of the market, since in this period the IBEX-35 fell by 22%, the financial sector IBEX by 3.6% and the Madrid Stock Exchange general index by 18.5%.

With respect to the closing price of Euros 37.10 in 2000, the Banco Popular share appreciated by 0.7% in the quarter; the IBEX-35 was up by 2.2%, the financial sector IBEX fell by 5% and the Madrid Stock Exchange general index increased by 0.4%.

With the rise in the share price added to the quarterly dividend payments since March 31, 2000, the market return on Banco Popular shares in the last twelve months was 20.3% and in the first quarter was 1.5%.

The P/E ratio of Banco Popular shares at the end of the first quarter was 14.8 times the annualized income for the period.

50.3 million shares representing 23.2% of the total stock outstanding were traded in the first quarter of 2001, at an average price of Euros 36.79 per share. The matching percentage in the same period of 2000, reflecting the market liquidity of the stock, was 36.8%.



**Table 12. Quarterly bank share performance\***

Quarters	Share liquidity (Number in thousands)			Share market price (Euros)			Dividend paid (Euros)	Market return**
	Average shares outstanding	Shares traded	%	High	Low	Closing		
2000 1st	217,154	79,967	36.83	32.90	26.85	32.00	0.265	(0.4)
2nd	217,154	59,442	27.37	35.25	29.21	32.40	0.274	2.1
3rd	217,154	27,383	12.61	34.75	31.00	34.75	0.278	8.1
4th	217,154	44,403	20.45	39.50	32.65	37.10	0.290	7.6
<b>Year total</b>	<b>217,154</b>	<b>211,195</b>	<b>97.26</b>	<b>39.50</b>	<b>26.85</b>	<b>37.10</b>	<b>1.107</b>	<b>18.0</b>
2001 1st	217,154	50,309	23.17	39.30	34.50	37.35	0.293	1.5

\* Figures adjusted for 2x1 share split on February 2000

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

On March 31, 2001, the Bank did not own, either directly or indirectly through any subsidiary, whether consolidable or not, any of its own shares. In the first three months of this year it intervened as a buyer in 2.8% of the transactions in its stock and as a seller in the same percentage, and the maximum treasury stock held in the quarter was 0.27% of the capital stock.

For details of variations in liquidity, market price, dividends and market return in the last five quarters, see Table 12. On an index basis with March 31, 2000 = 100, Figure 15 shows the movement in the market price of Banco Popular shares in the last twelve months, compared with the stock market indices mentioned above.

Madrid, April 2001



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