

With the first nine months of the year over, the Banco Popular Group's figures continue to demonstrate the fruits of the strategy adopted in 1999, based on two fundamental pillars: growth of the business - basically domestic - above that of the Spanish banking system as a whole, with the consequent increase in market share, and enhancement of its habitual strength in solvency, profitability and efficiency. In the uncertain context of how the international economy will evolve in the year 2002, these criteria, and particularly the Group's soundness, are the best guarantee for successfully facing up to a period which presumably will be complex.

At September 30, 2001, the Group's consolidated balance sheet totaled €36,044 million (Ptas. 5,997 billion), an increase of €6,020 million (Ptas. 1,002 billion) year on year, signifying a growth rate of 20.1%. Loans and discounts were 20.6% up on September 2000 at €26,872 million (Ptas. 4,471 billion) and on-balance sheet customer funds were 11.2% higher at €24,470 million (Ptas. 4,072 billion). The rates of increase from December 2000 to September-end were 14.9%, 15.3% and 9.8%, respectively.

Earnings at September 30 revealed strong progress in all margins at a rate similar to that of the growth of the business, with double-digit growth rates which, as is customary, relate in substantially all cases to recurring banking business.

The consolidated net income at September 30 of €461 million (Ptas. 76,695 million) and the income attributable to the parent company of €424 million (Ptas. 70,505 million) were 17.5% and 16.1%, respectively, higher year on year. The attributable earnings per share in the first nine months of €1.951 (Ptas. 324.68) were up 16.1% on the same period of 2000, while the earnings per share in the third quarter of €0.696 (Ptas. 115.80) were 17.0% higher than in the same quarter of 2000. The ROE (annualized) for the first nine months of 2001 was 27.6% and 29.6% in the third quarter, compared with 26.9% and 28.6%, respectively, in the same periods of 2000.

The net interest revenue in the first nine months of €1,029 million (Ptas. 171,235 million) was 23.7% higher year on year. The service fee revenues of €424 million (Ptas. 70,479 million) were 6.1% up on the same period of 2000. The ordinary revenue, or total revenues of the business, of €1,481 million (Ptas. 246,461 million) was 17.0% higher than in the same period of 2000.

Operating costs in the first nine months at €555 million (Ptas. 92,315 million) were 12.7% higher (7.9% on uniform terms with the same period of the preceding year). The efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, was 37.46%, an improvement of 1.4 percentage points in the last twelve months.

The operating income amounted to €846 million (Ptas. 140,699 million) in the first nine months, 21.6% higher year on year, reflecting the result of the growth of the business, driven by loans and discounts, together with the moderation in operating costs.

The Group continued to consistently apply its policy of prudence in risk management and, although the asset quality indices are highly satisfactory, it again allocated a substantial portion of operating income to maintenance of the utmost balance-sheet soundness. The nonperforming loans ratio (nonperforming loans as a percentage of total risk) was again at a record low level of 0.77% at September 30, compared with 0.80% twelve months earlier, and 0.79% at 2000 year-end.

The Group allocated €160 million (Ptas. 26,607 million) of net provisions to the credit loss allowance in the first nine months, a year-on-year increase of 89.2%. The recorded credit loss allowances totaled €471 million (Ptas. 78,352 million) which, compared with total of troubled risks, signified a coverage ratio of 200.5%, as compared with 173.4% in September 2000 and 184% at the end of 2000. Provisions of €44 million (Ptas. 7,292 million) were also recorded for other purposes, substantially all of a precautionary nature, thus even further strengthening the Group's balance-sheet soundness.

The Group's commercial action continued to focus on two basic fronts: development of the customer base and stronger current customer bonding by means of product cross-selling. The Group now has a total of 4.17 million customers, a net increase of 325,000 or 8.5% in the last twelve months. The Internet bank-on-line banking channel launched at the end of 1998 now has 527,000 customers, an increase of 249,000. Bancopopular-e, the Group's specialized entity, continued to grow rapidly, with a balance sheet of €130 million (Ptas. 21,595 million), and has reported operating income since the beginning of the year .

Highlights

(Amounts in € thousand)

September 30, 2001

	Pesetas (Millions)	September 30		Variation	
		2001	2000	Amount	%
Business volume					
Total assets managed	7,431,679	44,665,292	39,809,280	4,856,012	12.2
On-balance sheet total assets	5,997,201	36,043,906	30,023,966	6,019,940	20.1
Total equity	340,259	2,044,998	1,806,411	238,587	13.2
Customer funds:	5,505,994	33,091,692	31,796,171	1,295,521	4.1
On-balance sheet funds	4,071,516	24,470,306	22,010,857	2,459,449	11.2
Other intermediated funds	1,434,478	8,621,386	9,785,314	(1,163,928)	(11.9)
Loans and discounts	4,471,056	26,871,589	22,275,489	4,596,100	20.6
Off-balance sheet risks	605,990	3,642,072	3,209,262	432,810	13.5
Solvency					
BIS ratio (%)		10.95	10.77	0.18	
Of which: Tier 1 (%)		8.81	8.82	(0.01)	
Risk management					
Total risks	5,076,973	30,513,221	25,484,337	5,028,884	19.7
Nonperforming loans	39,077	234,855	203,428	31,427	15.4
Allowances for credit losses	78,352	470,905	352,714	118,191	33.5
% nonperforming ratio		0.77	0.80	(0.03)	
% coverage (Credit loss allowance/Nonperforming loans)		200.51	173.39	27.12	
Income statements					
Net interest revenue	171,235	1,029,145	832,023	197,122	23.7
Basic banking revenue	241,714	1,452,733	1,231,276	221,457	18.0
Ordinary revenue	246,461	1,481,263	1,266,576	214,687	17.0
Operating income	140,699	845,619	695,565	150,054	21.6
Income before taxes	107,654	647,012	604,312	42,700	7.1
Net income	76,695	460,946	392,455	68,491	17.5
Net income attributable to Banco Popular Shareholders	70,505	423,742	365,037	58,705	16.1
Net return and efficiency ratios (%)					
Net income:					
Over average total assets (€33,884,732 thousand): ROA		1.81	1.87	(0.06)	
Over average risk-weighted total assets (€27,446,138 thousand): RORWA		2.24	2.31	(0.07)	
Net income attributable:					
Over average equity (€2,044,998 thousand): ROE		27.63	26.94	0.69	
Operating efficiency		37.46	38.87	(1.41)	
Shares					
Shares outstanding (thousands)		217,154	217,154	-	-
Shareholders		73,374	93,849	(20,475)	(21.8)
Share closing market price (€)		38.00	34.75	3.25	9.4
Share book value (€)		9.42	8.32	1.10	13.2
Net income per share (€)		1.951	1.681	0.270	16.1
Dividend per share (€)		0.905	0.817	0.088	10.8
Price/Book value		4.03	4.18	(0.15)	
Price/Earnings (annualized)		14.6	15.5	(0.90)	
Other data					
Employees		12,265	11,902	363	3.0
Spain		12,084	11,769	315	2.7
Abroad		181	133	48	36.1
Branches		2,130	2,058	72	3.5
Spain		2,105	2,041	64	3.1
Abroad		25	17	8	47.1
ATMs		3,192	2,845	347	12.2

QUARTER-END FINANCIAL REPORT*

Assets and funds

Table 1 presents the consolidated balance sheets at September 30, 2001, December 31, 2000, and September 30, 2000, with the customary level of detail.

Total assets

The total on-balance sheet assets amounted to €36,044 million at September 30, 2001, 20.1% more than at the same date in 2000 and 14.9% higher than at the beginning of the year.

The Group also manages other funds through off-balance sheet instruments which at September 30 totaled €8,621 million and when aggregated to the above-mentioned figure signified a total business volume for the Group of €44,665 million, up 12.2% year on year and 9.9% in the first nine months of 2001.

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

Shareholders' equity

Consolidated equity amounted to €2,045 million at September 30, 2001, an interannual increase of 13.2%, signifying a book value per share of €9.42.

The computable capital per Bank of Spain solvency requirements amounted to €2,628 million, as compared with the minimum requirement of €2,345 million, and the resulting capital cushion was therefore €283 million (12.1%), and the resulting solvency ratio was 8.97% as compared with the required minimum of 8%.

Under the BIS solvency rules, which are those used at international level and differ from Bank of Spain criteria, the Group's computable capital amounted to €3,213 million, with a cushion of €366 million, and the BIS solvency ratio was 10.95%, of which 8.81% related to Tier 1 capital.

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

Agency ratings

The three major international rating agencies have assigned Banco Popular the highest ratings in the Spanish financial system, based on its balance sheet strength, high level of efficiency and profitability, and the recurring nature of its earnings. The ratings assigned as of September 30, 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

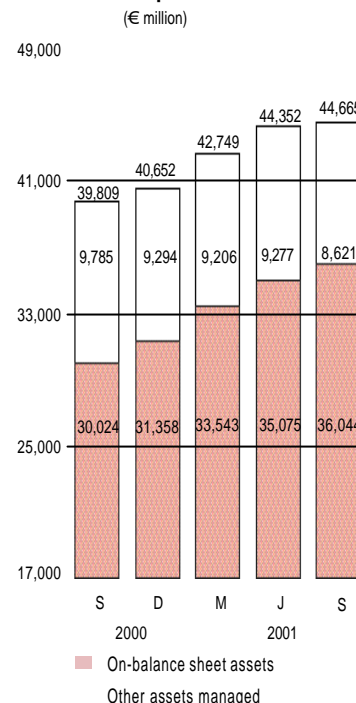


Fig.2 Solvency

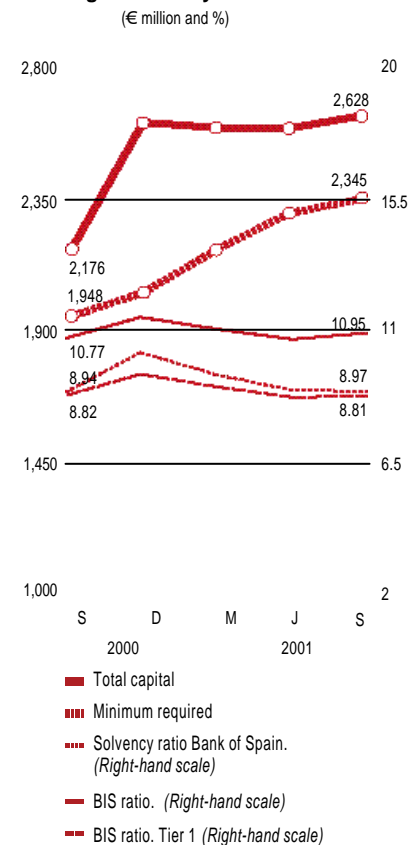


Table 1. Consolidated Balance Sheets

	September 30, 2001				% variation	
	Pesetas (Millions)		December 31 2000	September 30 2000	9 months	12 months
Assets						
Cash and due from central banks	100,634	604,825	412,106	438,294	46.8	38.0
Government debt securities:	115,375	693,416	302,689	386,168	>	79.6
<i>Government debt securities, gross</i>	115,378	693,434	302,817	386,379	>	79.5
<i>Less: Allowance for security price fluctuations</i>	(3)	(18)	(128)	(211)	(85.9)	(91.5)
Due from financial intermediaries:	972,418	5,844,348	5,466,607	4,896,656	6.9	19.4
<i>Due from financial intermediaries, gross</i>	972,441	5,844,484	5,466,985	4,896,699	6.9	19.4
<i>Less: Allowance for doubtful balances and country risk</i>	(23)	(136)	(378)	(43)	(64.0)	>
Loans and discounts:	4,400,497	26,447,519	22,962,523	21,957,758	15.2	20.4
<i>Loans and discounts:</i>	4,471,056	26,871,589	23,307,501	22,275,489	15.3	20.6
<i>To public bodies</i>	6,261	37,632	32,656	44,825	15.2	(16.0)
<i>To other residents</i>	4,294,550	25,810,763	22,657,246	21,685,263	13.9	19.0
<i>To nonresidents</i>	132,531	796,527	416,849	349,206	91.1	>
<i>Nonperforming loans</i>	37,714	226,667	200,750	196,195	12.9	15.5
<i>Less: Allowance for credit losses</i>	(70,559)	(424,070)	(344,978)	(317,731)	22.9	33.5
Private fixed-interest securities:	93,430	561,527	591,920	650,502	(5.1)	(13.7)
<i>Private fixed-interest securities, gross</i>	93,957	564,692	595,388	654,439	(5.2)	(13.7)
<i>Less: Allowance for security price fluctuations</i>	(527)	(3,165)	(3,468)	(3,937)	(8.7)	(19.6)
Equity securities:	18,992	114,143	59,944	70,150	90.4	62.7
<i>Equity securities, gross</i>	21,016	126,305	68,011	74,653	85.7	69.2
<i>Less: Allowance for security price fluctuations</i>	(2,024)	(12,162)	(8,067)	(4,503)	50.8	>
Participating interests	3,802	22,849	4,897	4,591	>	>
Shares of group companies	5,219	31,367	32,581	29,072	(3.7)	7.9
Intangible assets	3,413	20,514	13,615	12,737	50.7	61.1
Goodwill in consolidation	5,984	35,964	6,160	6,746	>	>
Tangible assets:	95,913	576,450	571,172	576,165	0.9	–
<i>Premises and equipment</i>	100,316	602,909	604,221	610,770	(0.2)	(1.3)
<i>Less: Allowance for potential losses on foreclosed assets and other</i>	<i>(4,403)</i>	<i>(26,459)</i>	<i>(33,049)</i>	<i>(34,605)</i>	<i>(19.9)</i>	<i>(23.5)</i>
Prepayments and accrued income	60,002	360,620	349,480	295,626	3.2	22.0
Other asset accounts	120,911	726,691	583,053	698,465	24.6	4.0
Losses at consolidated companies	611	3,673	1,047	1,036	>	>
Total	5,997,201	36,043,906	31,357,794	30,023,966	14.9	20.1
Liabilities and Capital						
Due to financial intermediaries	1,137,067	6,833,910	4,888,588	4,171,996	39.8	63.8
Customer deposits:	3,637,324	21,860,759	20,424,975	20,108,637	7.0	8.7
<i>From public bodies</i>	53,437	321,161	355,111	292,431	(9.6)	9.8
<i>From other residents</i>	3,126,881	18,792,936	17,463,529	17,201,482	7.6	9.3
<i>From nonresidents</i>	457,006	2,746,662	2,606,335	2,614,724	5.4	5.0
Bonds and other marketable debt securities	391,012	2,350,030	1,659,162	1,688,130	41.6	39.2
Subordinated financing	43,180	259,517	207,469	214,090	25.1	21.2
Other liability accounts	118,091	709,739	695,844	604,296	2.0	17.4
Accruals and deferred income	88,988	534,830	274,261	471,487	95.0	13.4
Special allowances:	100,483	603,915	506,697	389,135	19.2	55.2
<i>For pensions</i>	72,787	437,457	396,966	323,849	10.2	35.1
<i>Other allowances</i>	27,696	166,458	109,731	65,286	51.7	>
Negative difference in consolidation	95	570	570	552	–	3.3
Shareholders' equity:	340,870	2,048,671	1,816,811	1,806,411	12.8	13.3
<i>Common stock</i>	18,066	108,577	108,577	108,577	–	–
<i>Reserves</i>	177,225	1,065,147	931,200	923,849	14.4	15.3
<i>Consolidation reserves</i>	145,579	874,947	777,034	775,021	12.6	12.9
Minority interests	63,396	381,019	355,908	175,741	7.1	>
Year-to-date net income	76,695	460,946	527,509	392,455		17.5
Total	5,997,201	36,043,906	31,357,794	30,023,966	14.9	20.1
Pro memoria						
Off-balance sheet risks:	605,990	3,642,072	3,181,783	3,209,262	14.5	13.5
<i>Guarantees and other sureties</i>	559,554	3,362,984	2,899,003	2,940,104	16.0	14.4
<i>Documentary credits</i>	46,340	278,510	269,781	251,680	3.2	10.7
<i>Other contingent liabilities</i>	96	578	12,999	17,478	(95.6)	(96.7)
Allowance for doubtful off-balance sheet risks	7,723	46,417	38,693	34,448	20.0	34.7
Commitments:	865,938	5,204,392	4,464,278	4,387,078	16.6	18.6
<i>Unused portion of credit lines</i>	707,257	4,250,697	3,708,572	3,614,165	14.6	17.6
<i>Other commitments</i>	158,681	953,695	755,706	772,913	26.2	23.4
Other intermediated customer funds	1,434,478	8,621,386	9,293,993	9,785,314	(7.2)	(11.9)

Table 2. Consolidated equity

(Amounts in € thousand)

September 30, 2001

	Pesetas (Millions)				% variation	
		December 31 2000	September 30 2000	September 30 2001	9 months	12 months
Common stock	18,066	108,577	108,577	108,577	—	—
Reserves	177,225	1,065,147	1,047,991	923,849	17,156	141,298
Consolidation reserves	144,968	871,274	890,254	773,985	(18,980)	97,289
Less:						
Treasury stock	—	—	—	—	—	—
On-balance sheet equity	340,259	2,044,998	2,046,822	1,806,411	(1,824)	238,587
Minority interests	63,396	381,019	371,928	175,741	9,091	205,278
Preferred stock	29,949	180,000	180,000	—	—	180,000
Other	33,447	201,019	191,928	175,741	9,091	25,278
Subordinated financing	43,180	259,517	207,469	214,090	52,048	45,427
Less:						
Intangible assets	(3,413)	(20,514)	(13,615)	(12,737)	(6,899)	(7,777)
Goodwill	(5,984)	(35,964)	(6,160)	(6,746)	(29,804)	(29,218)
Other	(125)	(754)	(1,199)	(1,011)	445	257
Bank of Spain computable capital	437,313	2,628,302	2,605,245	2,175,748	23,057	452,554
Minimum requirement	390,217	2,345,250	2,026,615	1,947,845	318,635	397,405
Capital cushion	47,096	283,052	578,630	227,903	(295,578)	55,149
Bank of Spain solvency ratio (%)		8.97	10.28	8.94		
BIS computable capital	534,527	3,212,572	2,883,820	2,598,220	328,752	614,352
Of which: Tier 1 capital	430,128	2,585,121	2,398,696	2,126,004	186,425	459,117
Minimum requirement	390,371	2,346,179	2,008,767	1,929,084	337,412	417,095
Capital cushion	144,156	866,393	875,053	669,136	(8,660)	197,257
BIS ratio (%)		10.95	11.48	10.77		
Of which: Tier 1(%)		8.81	9.55	8.82		

(*) After distribution of 2000 income.

Customer funds

The on-balance sheet customer funds at September 30, 2001, i.e. typical demand and time deposits plus the proceeds of temporary sales of assets, debt issues and subordinated financing, totaled €24,470 million, up 11.2% year on year and 9.8% since the beginning of the year. On the basis of average balances the growth rate was 17.0% year on year.

Deposits at September 30, 2001, amounted to €21,861 million, up 8.7% year on year and 7.0% since December 2000. The deposits of private-sector residents, accounting for 86% of the total, rose by 9.3% year on year and by 7.6% from the end of 2000. Time deposits again grew strongly, by 33.2% year on year and 23.9% in the first nine months, partly triggered by a significant transfer of cash from mutual funds.

Figure 4 shows the growth of private sector deposits at all Spanish banks and savings banks (through the end of August 2000, the latest date for which Bank of Spain figures have been published). This graph shows that the Group continued to expand its share in the deposits market at the expense of banks throughout the period considered and, except for the last few months, of savings banks. The average differential of rates in the period analyzed was positive in both cases: 5.5 percentage points with respect to banks and 3.7 percentage points with respect to savings banks.

The funds obtained through the sale of marketable securities amounted to €2,350 million, 39.2% higher than in September 2000 and 41.6% up on December 2000. The medium- and long-term Euronotes issued in the Euromarket totaled €1,477 million, an increase of 26.6% year on year and of 27.1% in the first nine months of 2001. The issues of short-term commercial

Fig.3 Customer funds
(€ million)

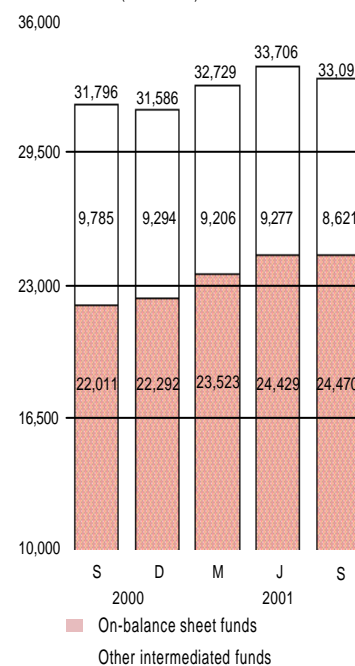
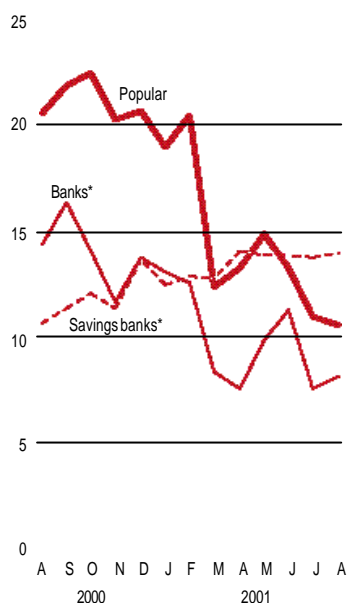


Fig.4 % annual variation in total resident private-sector deposits



* Source: Bank of Spain

paper, as an alternative to traditional deposits, amounted to €873 million, with increases of 67.3% year on year and 75.5% in the first nine months.

Subordinated debt totaled €260 million, following the €50 million issue launched in September.

The balance of off-balance sheet funds at September end was €8,621 million, a reduction of 11.9% year on year and 7.2% since the beginning of 2001, as a result of the poor performance of mutual funds, the main component of this caption, due to savers' preferences for other instruments and the negative movement of the markets. This is a problem which continues to affect the entire collective investment sector in Spain generally and in other countries since mid-2000.

The volume of mutual funds managed by the Group amounted to €5,406 million, a decrease of 17.0% year on year and of 9.9% since the end of 2000. Causal analysis of the variation in mutual fund assets in the last twelve months reveals a decrease of nearly 11% in net inflows (a substantial amount of the related amounts were transferred to time deposits) while the remainder was due to depreciation of the assets.

Per advance data for the sector as a whole at the end of September 2001, the total assets of mutual funds had fallen by 13.7% in the last twelve months and by 8.3% since December 2000.

Table 3. Customer funds

(Amounts in € thousand)	September 30, 2001				% variation	
	Pesetas (Millions)	September 30, 2000	December 31, 2000	September 30, 2000	9 months	12 months
Customer deposits:	3,637,324	21,860,759	20,424,975	20,108,637	7.0	8.7
<i>From public bodies:</i>	53,437	321,161	355,111	292,431	(9.6)	9.8
Demand deposits	44,203	265,662	252,565	260,582	5.2	1.9
Savings deposits	1,338	8,044	7,879	8,121	2.1	(0.9)
Time deposits	7,885	47,387	94,143	22,360	(49.7)	>
Assets sold under repurchase agreements	11	68	524	1,368	(87.0)	(95.0)
Other accounts	-	-	-	-	-	-
<i>From other residents:</i>	3,126,881	18,792,936	17,463,529	17,201,482	7.6	9.3
Deposits of private-sector residents:	2,965,481	17,822,903	15,614,366	15,686,652	14.1	13.6
Demand deposits	1,141,256	6,859,087	6,203,987	6,729,164	10.6	1.9
Savings deposits	546,502	3,284,544	3,210,179	3,193,602	2.3	2.8
Time deposits	1,277,723	7,679,272	6,200,200	5,763,886	23.9	33.2
Assets sold under repurchase agreements	161,400	970,033	1,849,163	1,514,830	(47.5)	(36.0)
Other accounts	-	-	-	-	-	-
<i>From nonresidents:</i>	457,006	2,746,662	2,606,335	2,614,724	5.4	5.0
Demand deposits	70,808	425,567	423,949	395,358	0.4	7.6
Savings deposits	103,120	619,763	579,529	575,020	6.9	7.8
Time deposits	282,350	1,696,955	1,599,204	1,641,036	6.1	3.4
Assets sold under repurchase agreements	483	2,905	2,855	2,528	1.8	14.9
Other accounts	245	1,472	798	782	84.5	88.2
Bonds and other marketable debt securities	391,012	2,350,030	1,659,162	1,688,130	41.6	39.2
Bonds and debentures outstanding	245,771	1,477,114	1,161,888	1,166,454	27.1	26.6
Promissory notes and other securities	145,241	872,916	497,274	521,676	75.5	67.3
Subordinated financing	43,180	259,517	207,469	214,090	25.1	21.2
Total (a)	4,071,516	24,470,306	22,291,606	22,010,857	9.8	11.2
Other intermediated customer funds:						
Financial assets sold outright						
to customers (outstanding balances)	100,902	606,430	777,569	823,361	(22.0)	(26.3)
Mutual funds	899,467	5,405,904	6,002,693	6,510,680	(9.9)	(17.0)
Asset portfolio management	65,979	396,543	313,409	282,997	26.5	40.1
Pension funds	294,269	1,768,595	1,784,853	1,737,502	(0.9)	1.8
Life insurance technical reserves	73,861	443,914	415,469	430,774	6.8	3.1
Total (b)	1,434,478	8,621,386	9,293,993	9,785,314	(7.2)	(11.9)
Total (a+b)	5,505,994	33,091,692	31,585,599	31,796,171	4.8	4.1

The balance of pension plans, at €1,769 million, varied only slightly with respect to September and December 2000 (+1.8% and -0.9%, respectively). By contrast with the situation of mutual funds, this variation was due to the depreciation of assets because of the downturn in the markets, since net inflows to the plans increased at a rate of 11.5% year on year.

To summarize, total on- and off-balance sheet funds held by the Group at September 30, 2001, amounted to €33,092 million, up 4.1% year on year and 4.8% from the beginning of the year.

Table 3 and Figure 3 show the evolution over time of on- and off-balance sheet customer funds and the breakdown by type.

Loans and discounts

The Group's loans and discounts totaled € 26,872 million at September 30, 2001, up by 20.6% year on year and by 15.3% in the first nine months, and represented 75% of total assets and 110% of on-balance sheet customer funds. The average balance was up 23.6% year on year.

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.

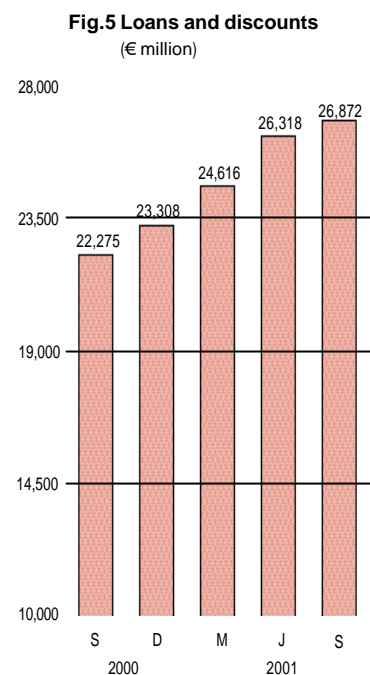
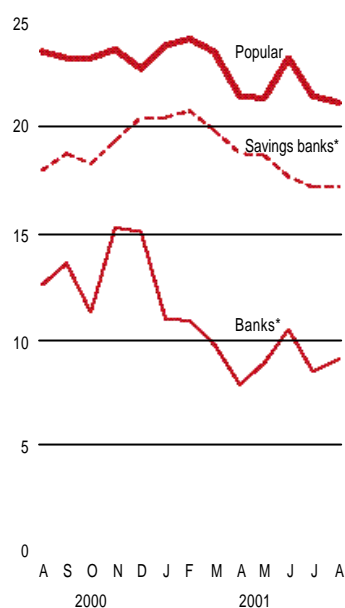


Table 4. Loans and discounts

(Amounts in € thousand)	September 30, 2001				% variation	
	Pesetas (Millions)		December 31 2000	September 30 2000	9 months	12 months
<i>To public bodies:</i>	6,261	37,632	32,656	44,825	15.2	(16.0)
Secured loans	–	–	–	–	–	–
Other term loans	6,147	36,945	32,587	43,982	13.4	(16.0)
Overdrafts and other	114	687	69	843	>	(18.5)
<i>To other residents:</i>	4,294,550	25,810,763	22,657,246	21,685,263	13.9	19.0
Trade loans and discounts	730,804	4,392,222	4,105,329	3,869,440	7.0	13.5
Secured loans	1,747,092	10,500,232	8,520,249	8,018,957	23.2	30.9
Mortgage loans	1,744,256	10,483,189	8,472,759	8,003,991	23.7	31.0
Other	2,836	17,043	47,490	14,966	(64.1)	13.9
Other term loans:	1,383,673	8,316,040	7,591,455	7,466,548	9.5	11.4
Loans and credits	1,376,687	8,274,053	7,529,682	7,287,370	9.9	13.5
Repos	6,986	41,987	61,773	179,178	(32.0)	(76.6)
Overdrafts and other	130,045	781,589	863,328	796,398	(9.5)	(1.9)
Leasing	302,936	1,820,680	1,576,885	1,533,920	15.5	18.7
<i>To nonresidents:</i>	132,531	796,527	416,849	349,206	91.1	>
Trade loans and discounts	29,935	179,914	6,646	3,020	>	>
Secured loans	48,962	294,266	238,116	220,529	23.6	33.4
Mortgage loans	46,902	281,883	223,775	204,497	26.0	37.8
Other	2,060	12,383	14,341	16,032	(13.7)	(22.8)
Other term loans	48,472	291,324	155,163	106,500	87.8	>
Overdrafts and other	5,162	31,023	16,924	19,157	83.3	61.9
<i>Nonperforming loans:</i>	37,714	226,667	200,750	196,195	12.9	15.5
To public bodies	107	644	641	640	0.5	0.6
To other residents	35,639	214,192	197,246	192,959	8.6	11.0
To nonresidents	1,968	11,831	2,863	2,596	13.2	>
Total	4,471,056	26,871,589	23,307,501	22,275,489	15.3	20.6

Fig.6 % annual variation in total resident private-sector loans and discounts



* Source: Bank of Spain

Credit to private-sector residents, amounting to €25,811 million, represented 96% of total loans and discounts, with growth of 19.0% year on year and 13.9% since January 1. Noteworthy was the growth of mortgage loans, mostly for home-buying, which were 31.0% higher year on year. Trade discounts and unsecured credits and loans were both up by 13.5% and leasing transactions by 18.7%.

Per the latest available (August) data of the Bank of Spain, credit to private-sector residents in the Spanish financial system as a whole increased by 9.1% at banks and 17.2% at savings banks, which was lower than the Banco Popular growth rate of 21.2% at that date. This situation had prevailed during the twelve preceding months, with an average differential in the Group's favor of 10.7 and 3.8 percentage points over banks and savings banks, respectively, and, consequently, with a significant gain in market share with respect to banks and savings banks. Figure 6 plots the rates of variation in the period addressed.

Risk management

The Group's nonperforming balances at September 30 amounted to €234.9 million, an increase of 15.4% compared with September 30, 2000, and of 12.6% since the beginning of the year. During the first nine months of 2001 €180.9 million of assets were transferred to this category, €81.2 million of transactions were favorably settled, and others of €73.5 million were written off against credit loss allowances. The resulting net increase in nonperforming loans was €26.3 million in the nine months to September 30.

Table 5. Risk management performance

(Amounts in € thousand)

	September 30, 2001		September 30 2000	Variation	
	Pesetas (Millions)			Amount	%
<i>Nonperforming loans*:</i>					
Balance at January 1	34,709	208,603	196,013	12,590	6.4
Additions	30,102	180,918	142,310	38,608	27.1
Balances recovered	(13,503)	(81,155)	(74,628)	(6,527)	8.7
Net variation for the year	16,599	99,763	67,682	32,081	47.4
% increase		47.8	34.5	13.3	
Writeoffs	(12,231)	(73,511)	(60,267)	(13,244)	22.0
Balance at September 30	39,077	234,855	203,428	31,427	15.4
<i>Allowance for credit losses:</i>					
Balance at January 1	63,874	383,891	328,201	55,690	17.0
Annual provision:					
Gross	30,409	182,760	112,678	70,082	62.2
Recoveries	(3,731)	(22,421)	(27,894)	5,473	(19.6)
Net	26,678	160,339	84,784	75,555	89.1
Other variations	31	186	(4)	190	
Writeoffs	(12,231)	(73,511)	(60,267)	(13,244)	22.0
Balance at September 30	78,352	470,905	352,714	118,191	33.5
Foreclosed real estate assets	10,887	65,430	89,044	(23,614)	(26.5)
Allowance for potential losses on foreclosed assets	4,333	26,044	34,304	(8,260)	(24.1)
<i>Pro memoria:</i>					
Total risks	5,076,973	30,513,221	25,484,337	5,028,884	19.7
Loans transferred to suspense accounts	109,440	657,748	599,352	58,396	9.7
Nonperforming mortgage loans	1,834	11,020	14,937	(3,917)	(26.2)
<i>Risk quality measures (%):</i>					
Nonperformance (Nonperforming loans/Total risks)		0.77	0.80	(0.03)	
Insolvency (Writeoffs/Total risks)		0.24	0.24	—	
Coverage: (Credit loss allowance/Nonperforming loans)		200.51	173.39	27.12	
Coverage: (Allowance for potential losses on foreclosed assets/total foreclosed assets)		39.80	38.52	1.28	

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

The nonperforming loans ratio, i.e. nonperforming loans as a percentage of total risks, was 0.77% at September 30, as compared with 0.80% twelve months earlier and 0.79% at 2000 year-end, confirming the sustained high quality of the Group's assets.

Nevertheless, in accordance with its ongoing policy of prudent risk management, the Group continues to record substantial provisions out of its earnings. Net provisions to credit loss allowances in the first nine months of 2001 amounted to €159.9 million, 89.2% more than in the same period of the preceding year. €70.1 million of the foregoing amount were specific provisions for doubtful risks, €39.6 million were general provisions, €50.6 million were booked to the statistical credit loss allowance (SCLA) which came into force in July 2000, and €0.4 million were for the country-risk allowance. €18.1 million of balances previously written off as bad debts were also recovered.

The recorded credit loss allowances totaled €470.9 million at September 30, 33.5% higher than in September 2000, and 22.7% higher than at the beginning of the year, and were twice the nonperforming loans balance at that date, with a coverage *ratio* of 200.5%, as compared with 173.4% a year earlier and 184.0% at December 31, 2000.

Foreclosed real estate assets, substantially all buildings, amounted to €65.4 million, 26.5% lower than in September 2000. To cover possible losses in disposals, there was a specific allowance of €26.0 million at September 30, representing a coverage of 39.8% of their book value.

Tables 5 and 6 detail the evolution of nonperforming loans and coverage therefor since September 2000, together with the main risk quality measures. Figure 7 summarizes the variation in the nonperforming loans *ratio* and allowance coverage in the same period of time.

Finally, it should be noted that €43.8 million of other provisions, 116% more than in the same period of 2000, were booked, substantially all in accordance with internal criteria not required by the relevant regulations, thus strengthening the balance sheet soundness.

Fig.7 Variation in the nonperforming loans ratio and coverage for delinquent balances

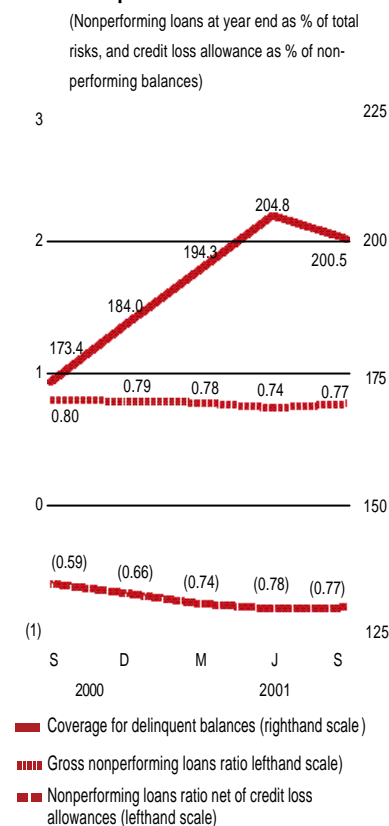
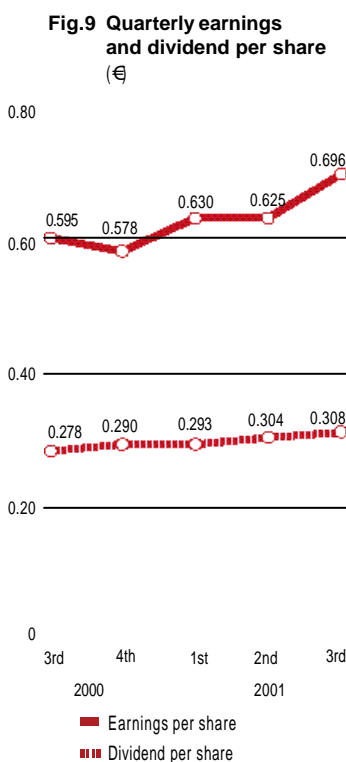
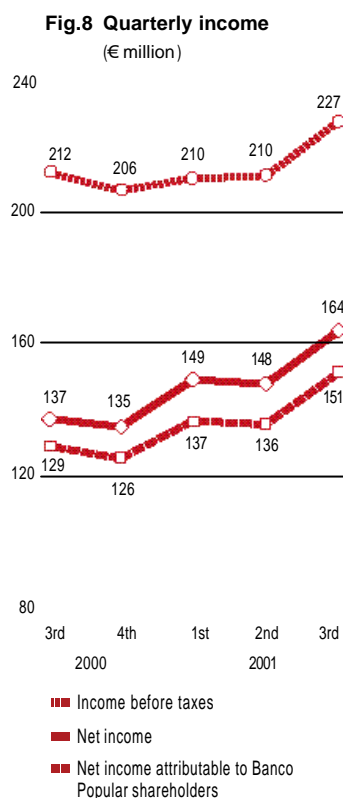


Table 6. Allowance for nonperforming loans

(Amounts in € thousand)

	September 30, 2001					
	Pesetas (Millions)		September 30, 2000			
	Balance	Total Provisioning	Balance	Total Provisioning	Balance	Total Provisioning
Doubtful balances with specific allowances:	34,374	16,909	206,590	101,625	179,916	92,726
Ordinary	32,434	15,874	194,931	95,406	165,204	84,447
Secured by prime collateral	726	329	4,363	1,975	8,008	4,227
Off-balance sheet risks	1,214	706	7,296	4,244	6,704	4,052
Doubtful balances with generic allowances.	4,359	38	26,199	228	20,966	175
Doubtful balances for which allowances are not required.	344		2,066		2,546	
Total nonperforming loans	39,077	16,947	234,855	101,852	203,428	92,901
Other specific provisioning	2,718	233	16,336	1,402		1,866
Allowances for ordinary risks.	5,007,785	45,792	30,097,393	275,216	24,753,218	226,123
General provisioning (1%)	4,152,208	41,514	24,955,274	249,506	20,471,703	204,715
Reduced provisioning (0.5%)	855,577	4,278	5,142,119	25,710	4,281,515	21,408
Statistical allowance		13,714		82,424		19,611
Total required provisions		76,686		460,895		340,501
Balance of credit loss allowances		78,352		470,905		352,714
Surplus		1,666		10,010		12,213



Earnings and profitability

Income statement

Table 7 is the consolidated income statement at September 30, 2001, compared with that at the same date in 2000.

The pretax income of €647.0 million was 7.1% higher year on year. Corporate income tax was 12.2% lower due to the tax impact, discussed in the reports on the two preceding quarters, of the externalization in 2001 of the Group banks' pension funds.

The net income for the first nine months of the year amounted to €460.9 million, 17.5% higher than in the first nine months of 2000; after deduction of minority

Table 7. Nine-month consolidated statements of income

	2001			
	Pesetas (Millions)	2000	2000	% increase (decrease)
Interest and similar revenues	284,026	1,707,034	1,263,665	35.1
- Interest and similar charges:	114,285	686,867	439,317	56.3
<i>On liabilities</i>	111,480	670,010	424,747	57.7
<i>Allocable to pension allowance</i>	2,805	16,857	14,570	15.7
+ Revenues from equity securities	1,494	8,978	7,675	17.0
= Net interest revenue	171,235	1,029,145	832,023	23.7
+ Fees for services, net:	70,479	423,588	399,253	6.1
<i>Loan-related fees</i>	9,261	55,658	49,577	12.3
<i>Fees for guarantees, other sureties and documentary credits</i>	5,935	35,672	30,786	15.9
<i>Fees for other banking services</i>	55,283	332,258	318,890	4.2
= Basic banking revenue	241,714	1,452,733	1,231,276	18.0
+ Asset trading and exchange profits, net:	4,747	28,530	35,300	(19.2)
<i>Financial asset trading income</i>	1,111	6,680	12,164	(45.1)
<i>Writedowns of securities portfolio and derivatives</i>	(877)	(5,273)	(1,032)	>
<i>Exchange, translation and dealing gains</i>	4,513	27,123	24,168	12.2
= Ordinary revenue	246,461	1,481,263	1,266,576	17.0
- Operating costs:	92,315	554,826	492,362	12.7
<i>Personnel expenses</i>	66,834	401,680	354,679	13.3
<i>General expenses</i>	21,792	130,975	117,913	11.1
<i>Taxes other than income tax</i>	3,689	22,171	19,770	12.1
- Depreciation	8,460	50,846	50,468	0.7
+ Other operating income	173	1,040	1,080	(3.7)
- Other operating expenses:	5,160	31,012	29,261	6.0
<i>Contribution to Deposit Guarantee Fund</i>	2,168	13,032	11,461	13.7
<i>Directors' fees and other mandated appropriations</i>	2,866	17,225	17,260	(0.2)
<i>Other</i>	126	755	540	39.8
= Operating income	140,699	845,619	695,565	21.6
+ Share in equity method investees' income, net	191	1,146	3,084	(62.8)
- Amortization of goodwill in consolidation	976	5,867	1,765	>
+ Gains (Losses) on group transactions, net	447	2,688	6,024	(55.4)
- Writeoffs and provisions for credit losses:	23,594	141,802	62,021	>
<i>Provision to allowance for credit losses</i>	26,607	159,911	84,513	89.2
<i>Recovery of bad debts written off</i>	(3,013)	(18,109)	(22,492)	(19.5)
± Extraordinary gains (losses), net:	(9,113)	(54,772)	(36,575)	49.8
<i>Gain on disposal of fixed assets</i>	1,305	7,841	8,297	(5.5)
<i>Recovery of pension allowance</i>	-	-	-	-
<i>Extraordinary provision to allowance for pensions</i>	(2,720)	(16,344)	(18,294)	(10.7)
<i>Provision to allowances for other purposes</i>	(7,292)	(43,828)	(20,295)	>
<i>Other</i>	(406)	(2,441)	(6,283)	(61.1)
= Income before taxes	107,654	647,012	604,312	7.1
- Corporate income tax provision	30,959	186,066	211,857	(12.2)
= Net income	76,695	460,946	392,455	17.5
- Minority interests	6,190	37,204	27,418	35.7
= Net income attributable to Popular shareholders	70,505	423,742	365,037	16.1

interests, the income attributable to Banco Popular shareholders was €423.7 million, representing €1.951 per share, 16.1% higher than for the same period of 2000.

For the third quarter as such, the net income of €163.8 million and the attributable income of €151.1 million (€0.696 per share) were 19.1% and 17.0%, respectively, higher year on year.

Figure 8 plots the growth of these three levels of income in the last five quarters and Figure 9 shows the quarterly 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 €1,029.1 million was 23.7% higher than in the same period of 2000, as a result of the strong growth in the balance sheet aggregates, together with prudent asset and liability interest rate management.

Service fee revenues at €423.6 million were up by 6.1% compared to the first nine months of 2000. By caption, there was a fall of 17.7% in mutual fund fees due to the decrease in assets managed mentioned earlier, and appreciable growth (+12.7%) in the remaining headings, most notably of 19.1% in means of payment transactions. The breakdown and variation in the last five quarters are shown in Table 8 and Figure 10.

Table 8. Service revenues				
(Amounts in € thousand)				
	September 30, 2001			
	Pesetas (Millions)	September 30 2000	% variation	
Loan-related fees:	9,261	55,658	49,577	12.3
<i>Bill discounting</i>	5,639	33,890	31,914	6.2
<i>Other</i>	3,622	21,768	17,663	23.2
Provision of guarantees and other sureties	5,935	35,672	30,786	15.9
Operating services:	55,283	332,258	318,890	4.2
Collection and payment handling :	27,937	167,907	143,553	17.0
<i>Note collection</i>	7,165	43,062	37,235	15.6
<i>Checks</i>	2,785	16,742	14,409	16.2
<i>Direct debit transactions</i>	1,816	10,912	9,338	16.9
<i>Payment systems</i>	11,368	68,323	57,378	19.1
<i>Fund transfers</i>	4,803	28,868	25,193	14.6
Foreign currency purchase and sale transactions	1,029	6,187	5,916	4.6
Customer financial asset management:	20,409	122,660	131,692	(6.9)
<i>Securities portfolio</i>	2,712	16,299	14,895	9.4
<i>Mutual funds</i>	11,927	71,682	87,132	(17.7)
<i>Pension plans</i>	5,770	34,679	29,665	16.9
Administration of demand deposits	4,870	29,268	24,930	17.4
Other	1,038	6,236	12,799	(51.3)
Total	70,479	423,588	399,253	6.1

The financial asset trading income of €28.5 million was 19.2% lower year on year, due to the poor performance of securities markets, particularly in the third quarter.

Ordinary revenue, i.e. the aggregate of the three foregoing captions, amounted to €1,481.3 million, up 17.0% year on year.

Operating costs in the first nine months amounted to €554.8 million, 12.7% more than in the first nine months of 2000. By caption, personnel costs were up by 13.3%, general expenses by 11.1% and taxes (excluding corporate income tax)

Fig.10 Service revenues (€million)

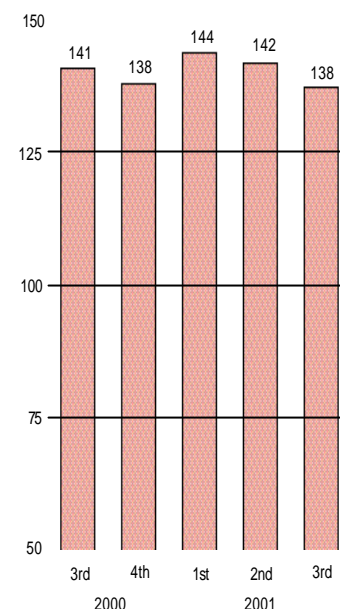
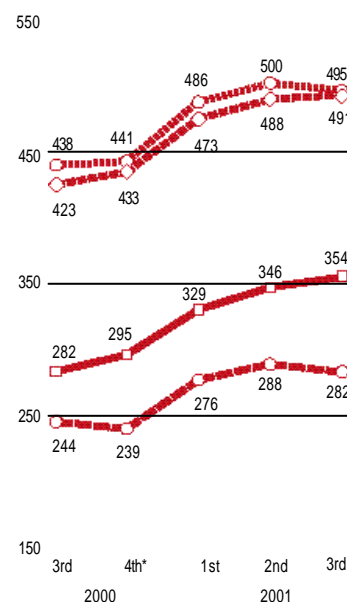


Fig.11 Quarterly revenues (€million)



■ Ordinary revenue
 ■ Basic banking revenue
 ■ Net interest revenue
 ■ Operating income
 * Adjusted for extraordinary gain

Fig.12 Net interest margin
(As % of average total assets)

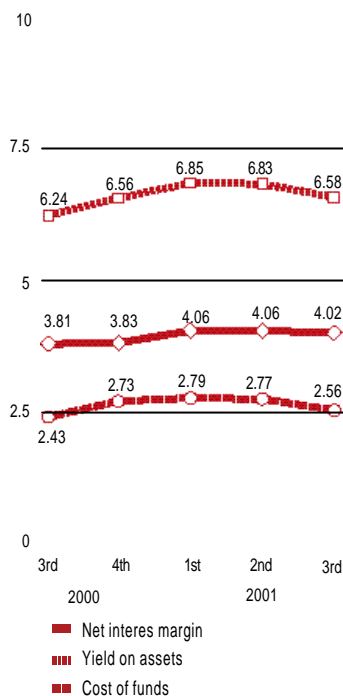
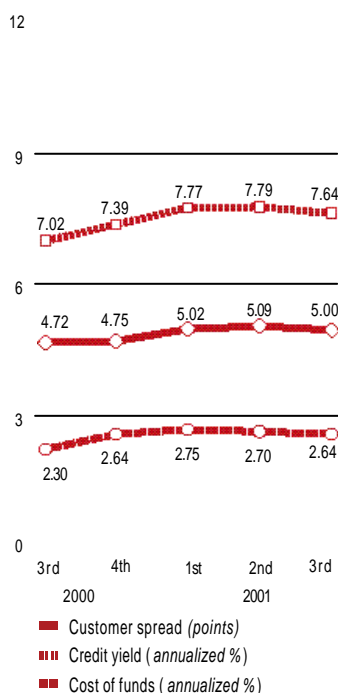


Fig.13 Quarterly customer spread



by 12.1%. As explained in earlier reports, the externalization of the pension allowance in the current year led to additional personnel costs, making comparison with the previous year not homogeneous. Adjusted for this effect, operating costs were 7.9% higher and personnel costs were 6.6% up.

Operating income amounted to €845.6 million, up 21.6% on the first nine months of 2000. This rate was very similar to that of growth in business volume (20.1% in the balance sheet, 20.6% in loans and discounts), confirming the validity of the Group's policy of growth with profitability.

Table 9. Quaterly income and profitability

(Amounts in € thousand)	2000				2001	
	3rd	4th	1st	2nd	3rd	
Interest and similar revenues	462,108	505,062	555,208	581,919	578,885	96,318
- Interest and similar charges	179,706	210,276	225,956	235,611	225,300	37,487
= Net interest revenue	282,402	294,786	329,252	346,308	353,585	58,831
+ Fees for services, net	141,069	138,168	144,093	141,926	137,569	22,890
+ Asset trading & exchange profits, net	14,606	84,191	13,076	12,004	3,450	574
= Ordinary revenue	438,077	517,145	486,421	500,238	494,604	82,295
- Operating costs:	167,243	175,298	183,200	185,545	186,081	30,961
<i>Personnel expenses</i>	120,036	122,342	132,819	133,360	135,501	22,545
<i>Other expenses</i>	47,207	52,956	50,381	52,185	50,580	8,416
- Depreciation	17,008	17,006	16,851	17,021	16,974	2,824
± Other operating income/expenses, net	(9,424)	(9,489)	(10,092)	(10,070)	(9,810)	(1,632)
= Operating income	244,402	315,352	276,278	287,602	281,739	46,878
± Other items, net	6,780	2,016	787	6,021	2,426	404
- Provisions and writedowns	39,641	111,266	67,214	83,251	57,376	9,547
= Income before taxes	211,541	206,102	209,851	210,372	226,789	37,735
- Corporate income tax provision	74,080	71,048	60,618	62,435	63,013	10,485
= Net income	137,461	135,054	149,233	147,937	163,776	27,250
- Minority interests	8,308	9,534	12,355	12,211	12,638	2,103
= Net income attributable	129,153	125,520	136,878	135,726	151,138	25,147
Pro memoria (€ million):						
Average total assets	29,623	30,778	32,427	34,060	35,167	
Average total risk-weighted assets (RWA)	23,675	24,545	26,005	27,650	28,860	
(As annualized % of average total assets)	2000				2001	
Yield on assets	6.24	6.56	6.85	6.83	6.58	
- Cost of funds	2.43	2.73	2.79	2.77	2.56	
= Net interest margin	3.81	3.83	4.06	4.06	4.02	
+ Yield on services, net	1.91	1.80	1.78	1.67	1.56	
+ Yield on fin. assets trading & exch. profits	0.20	1.09	0.16	0.14	0.04	
= Ordinary margin	5.92	6.72	6.00	5.87	5.62	
- Operating costs:	2.26	2.28	2.26	2.18	2.12	
<i>Personnel costs</i>	1.62	1.59	1.64	1.57	1.54	
<i>Other expenses</i>	0.64	0.69	0.62	0.61	0.58	
- Depreciation	0.23	0.22	0.21	0.20	0.19	
± Other operating income/expenses, net	(0.13)	(0.12)	(0.12)	(0.11)	(0.11)	
= Operating profitability	3.30	4.10	3.41	3.38	3.20	
± Other items, net	0.09	0.03	0.01	0.07	0.03	
- Provisions and writedowns	0.53	1.45	0.83	0.98	0.65	
= Pre-tax income return	2.86	2.68	2.59	2.47	2.58	
- Corporate income tax	1.00	0.92	0.75	0.73	0.72	
= Net income return (ROA)	1.86	1.76	1.84	1.74	1.86	
Pro memoria:						
Net return on average risk-weighted assets (RORWA)	2.32	2.20	2.30	2.14	2.27	
Net return on average equity (ROE)	28.60	27.79	26.76	26.55	29.56	
Leverage	15.4 x	15.8 x	14.5 x	15.3 x	15.9 x	
Operating efficiency	38.18	39.79*	37.66	37.09	37.62	

* Adjusted for extraordinary gain.

Figure 11 plots the variation in the business margins in the last five quarters.

Noteworthy in the lower part of the income statement is the weight of provisions and writedowns which, at €207.8 million in aggregate, were more than twice the figure of €102.4 million for the same period of 2000. These figures clearly illustrate the Group's ongoing application of criteria of prudence, regardless of the fact that its asset quality indices are at a record level, as explained in the section on risk management.

Out of the foregoing total, net provisions to credit loss allowances amounted to €159.9 million, 89.2% higher year on year, comprising €70.1 million of specific provisions for troubled risk balances, €39.6 million of general allowance provisions, €50.6 million for the SCLA and €0.4 million for country risk. €18.1 million of risks written off as bad debts were also recovered.

The Group also booked €43.8 million to provisions for other purposes, compared with €20.3 million in the same period of 2000, substantially all of a precautionary nature, thus further strengthening its balance sheet soundness.

Finally, €16.3 million of provisions were booked for pensions, and €5.9 million of amortization of goodwill arising on the acquisition of other businesses were recorded.

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 and the measures of return and efficiency.

Fig.14 Operating efficiency

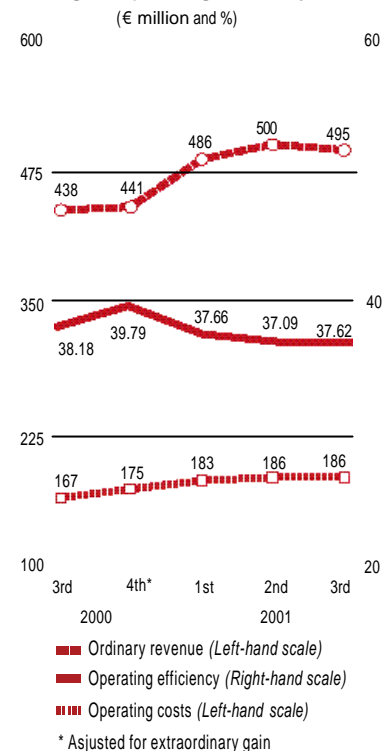


Table 10. Nine-month yields and costs

(Amounts in € thousand and rates annualized)	Average balance		2001			2000			
	Pesetas (Millions)		Distribution (%)	Revenue or expense	Average rate (%)	Average balance	Distribution (%)	Revenue or expense	Average rate (%)
Treasury bills and Bank of Spain certificates of deposit . . .	53,001	318,545	0.94	10,926	4.57	448,902	1.60	15,042	4.47
Financial system:	959,917	5,769,220	17.03	201,916	4.67	4,751,836	16.98	167,379	4.70
In euros	613,022	3,684,339	10.87	120,976	4.38	3,242,066	11.58	95,639	3.93
In foreign currencies	346,895	2,084,881	6.16	80,940	5.18	1,509,770	5.40	71,740	6.34
Loans and discounts (a):	4,207,612	25,288,257	74.63	1,466,726	7.73	20,459,808	73.09	1,057,202	6.89
In euros	4,152,527	24,957,190	73.65	1,453,470	7.77	20,196,611	72.15	1,044,297	6.89
In foreign currencies	55,085	331,067	0.98	13,256	5.34	263,197	0.94	12,905	6.54
Securities portfolio:	148,557	892,838	2.63	36,444	5.44	811,583	2.90	31,717	5.21
Government debt securities	20,181	121,288	0.36	4,541	4.99	109,290	0.39	4,378	5.34
Other fixed-interest securities	102,305	614,863	1.81	22,925	4.97	599,771	2.14	19,664	4.37
Equity securities	26,071	156,687	0.46	8,978	7.64	102,522	0.37	7,675	9.98
Total earning assets (b)	5,369,087	32,268,860	95.23	1,716,012	7.09	26,472,129	94.57	1,271,340	6.40
Other assets	268,858	1,615,872	4.77	—	—	1,519,396	5.43	—	—
Total assets	5,637,945	33,884,732	100.00	1,716,012	6.75	27,991,525	100.00	1,271,340	6.05
Financial system:	943,267	5,669,151	16.73	194,830	4.58	4,070,627	14.54	132,251	4.33
In euros	654,815	3,935,517	11.61	134,018	4.54	3,124,042	11.16	88,519	3.78
In foreign currencies	288,452	1,733,634	5.12	60,812	4.68	946,545	3.38	43,732	6.16
Customer funds (c):	3,917,164	23,542,631	69.48	475,180	2.69	20,129,003	71.91	292,496	1.94
Customer accounts:	3,508,286	21,085,224	62.23	391,752	2.48	18,470,134	65.98	248,110	1.79
In euros:	3,360,928	20,199,584	59.61	366,200	2.42	17,581,986	62.81	215,867	1.64
Demand and savings deposits	1,761,181	10,584,912	31.24	70,338	0.89	10,494,140	37.49	54,708	0.70
Time deposits	1,344,509	8,080,659	23.84	241,046	3.98	5,911,694	21.12	121,529	2.74
Assets sold under repurchase agreements	254,926	1,532,137	4.52	54,816	4.77	1,174,893	4.20	39,630	4.50
Other	312	1,876	0.01	—	—	1,259	—	—	—
In foreign currencies	147,358	885,640	2.62	25,552	3.85	888,148	3.17	32,243	4.84
Bonds and other marketable debt securities . . .	408,878	2,457,407	7.25	83,428	4.53	1,658,869	5.93	44,386	3.57
Pension allowance	69,396	417,073	1.23	16,857	5.39	310,885	1.11	14,570	6.25
Total interest-bearing liabilities (d)	4,929,827	29,628,855	87.44	686,867	3.09	24,510,515	87.56	439,317	2.39
Other non-interest-bearing liabilities	367,859	2,210,879	6.52	—	—	1,674,599	5.99	—	—
Capital accounts	340,259	2,044,998	6.04	—	—	1,806,411	6.45	—	—
Total liabilities and capital	5,637,945	33,884,732	100.00	686,867	2.70	27,991,525	100.00	439,317	2.09
Customer spread (a-c)					5.04				4.95
Spread (b-d)					4.00				4.01

Table 11. Quarterly yields and costs

(Data in % and rates annualized)

	2000								2001					
	1st		2nd		3rd		4th		1st		2nd		3rd	
	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	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	0.94	4.80	1.16	4.59
Financial system	16.17	4.20	17.29	4.51	17.38	5.27	16.62	5.45	18.41	4.89	17.17	4.98	15.61	4.09
Loans and discounts (a)	73.71	6.79	72.53	6.85	73.09	7.02	73.91	7.39	73.72	7.77	74.49	7.79	75.60	7.64
Securities portfolio	2.64	6.54	3.13	4.81	2.91	4.57	3.17	4.96	2.69	7.07	2.46	5.19	2.75	4.20
<i>Total earning assets (b)</i>	94.43	6.29	94.57	6.31	94.70	6.59	94.52	6.94	95.52	7.17	95.06	7.19	95.12	6.92
Other assets	5.57	—	5.43	—	5.30	—	5.48	—	4.48	—	4.94	—	4.88	—
Total assets	100.00	5.94	100.00	5.97	100.00	6.24	100.00	6.56	100.00	6.85	100.00	6.83	100.00	6.58
Financial system	13.92	3.77	15.59	4.18	14.09	4.99	14.89	5.30	15.54	5.09	17.26	4.75	17.32	4.00
Customer funds (c)	71.53	1.63	70.63	1.88	71.96	2.30	71.02	2.64	70.25	2.75	69.80	2.70	68.31	2.64
Pension allowance	1.17	5.86	1.09	6.37	1.08	6.50	1.10	6.59	1.24	5.33	1.22	5.38	1.23	5.45
<i>Total interest-bearing liabilities (d)</i>	86.62	2.03	87.31	2.34	87.13	2.79	87.01	3.14	87.03	3.20	88.28	3.13	86.86	2.95
Other non-interest-bearing liabilities	6.43	—	6.31	—	6.77	—	7.12	—	6.66	—	5.72	—	7.32	—
Capital accounts	6.95	—	6.38	—	6.10	—	5.87	—	6.31	—	6.00	—	5.82	—
Total liabilities and capital	100.00	1.76	100.00	2.05	100.00	2.43	100.00	2.73	100.00	2.79	100.00	2.77	100.00	2.56
<i>Customer spread (a-c)</i>		5.16		4.97		4.72		4.75		5.02		5.09		5.00
<i>Spread (b-d)</i>		4.26		3.97		3.80		3.80		3.97		4.06		3.97

Yields and costs

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

The yield on loans and discounts was 7.73%, 84 basis points more than in the same period of 2000. The average cost of customer funds was 2.69%, an increase of 75 basis points, and the customer spread (i.e. the difference between these two rates) improved by 9 basis points, from 4.95% to 5.04%.

The spread, the differential between the rate of yield on earning assets and the cost of interest-bearing liabilities, was virtually unchanged at 4.00 and 4.01 percentage points in the two periods addressed.

The net interest margin on average total assets improved by 9 basis points to 4.05% as a result of the increase of 70 basis points in the yield on assets, as compared with the rise of 61 basis points in the cost of funds.

The foregoing figures reflect the prudent management of asset and liability interest rates and balance sheet aggregates, which is all the more noteworthy considering that the balance sheet grew, in average balance terms, by 21.1% between the two periods addressed.

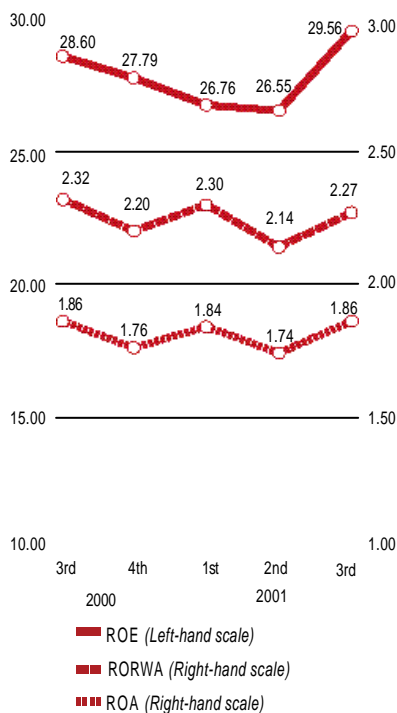
Figures 12 and 13 show the variations in the last five quarters in the rates of yield and cost and of the margins.

Profitability

The ROE was 27.63% in the first nine months of 2001 and 29.56% in the third quarter of this year, higher in both cases than that for the same periods of 2000. The ROA was 1.81% for the first nine months and 1.86% in the third quarter. The return on average risk-weighted total assets (RORWA) was 2.24% and 2.27%, respectively, in those periods. Figure 15 plots the measures of return in the last five quarters.

By main income statement captions as percentages of average total assets, the net interest margin increased by 9 basis points in the nine months to September

Fig.15 ROA, RORWA and ROE
(Annualized %)



30 and by 21 basis points in the third quarter, as compared with the same periods of 2000. The ordinary margin fell by 20 basis points and 30 basis points, respectively, in those two periods, due to the lower contribution by service fee revenues and financial asset trading operations. This effect was reduced by the appreciable improvement in operating costs by 17 basis points and 14 basis points in the two periods addressed, with the result that the operating margin was 3.33% (up 2 basis points) in the first nine months and 3.20% (minus 10 basis points) in the third quarter.

The operating efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, again improved to 37.46% in the first nine months and 37.62% in the third quarter, reflecting advances of 1.41 and 0.56 percentage points, respectively. Figure 14 plots the variation in this indicator in the last five quarters.

The balance sheet leverage coefficient, i.e. the ratio of average total assets to average equity, was 15.3 times in the first nine months and 15.9 times in the third quarter.

Market performance of Banco Popular shares

The Bank's share price closed at €38.00 at the end of the first nine months, 9.4% higher than the matching figure of €34.75 twelve months earlier. This performance can be described as very favorable, considering that stock markets fell sharply during the period. The Madrid Stock Exchange general index was down by 29.1%, the IBEX-35 fell by 28.3% and the financial sector IBEX (including Banco Popular) by 34.5%.

The market return on Banco Popular shares - the rise (or fall) in the share price plus dividend payments - in the last twelve months was 12.8% and in the first nine months was 4.9%.

The P/E ratio of Banco Popular shares at the end of the first nine months was 14.6 times the annualized income for the period.

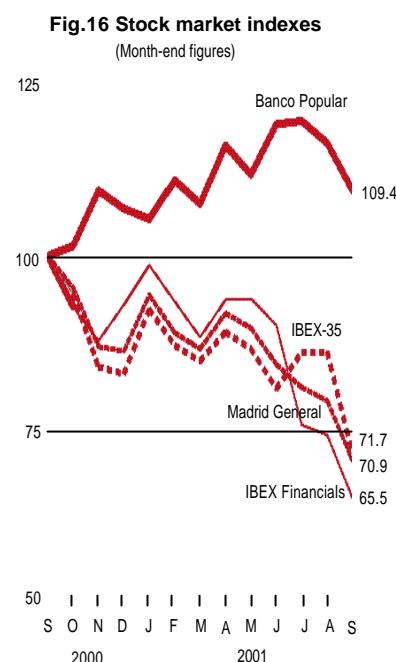


Table 12. Quarterly bank share performance*

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	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
Year total	217,154	211,195	97.26	39.50	26.85	37.10	1.107	18.0
2001 1st	217,154	50,309	23.17	39.30	34.50	37.35	0.293	1.5
2nd	217,154	40,545	18.67	42.10	36.31	41.29	0.304	11.4
3rd	217,154	43,486	20.03	42.50	30.65	38.00	0.308	(7.2)

* Figures adjusted for 2x1 share split on February 2000
** Appreciation (depreciation) and dividend as % of initial price in each period

134.3 million shares representing 61.9% of the total stock outstanding were traded in the first nine months of 2001, at an average price of €38.37 per share.

On September 30, 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 nine months of the year it intervened as a buyer in 0.91% of the transactions in its stock, involving 1.97 million shares, and as a seller in the same percentage, and the maximum treasury stock held in the first nine months was 591,000 shares, 0.27% of the capital stock.

For details of variations in price, dividends, market return and liquidity in the last seven quarters, see Table 12. On an index basis with September 30, 2000=100, Figure 16 shows the movement in the price of Banco Popular shares in the last twelve months, compared with the stock market indexes mentioned above.

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