

With the first half of the year over, the Banco Popular Group continues to successfully apply the strategy adopted in 1999 of growing the business at a faster rate than the Spanish financial system as a whole - with the consequent increase in market share -, and simultaneously maintaining its permanent objective of improving its customary high levels of profitability, operating efficiency and balance sheet strength.

At June 30, 2001, the Group's consolidated balance sheet totaled Euros 35,075 million (Ptas. 5.8 billion), an increase of Euros 5,859 million (Ptas. 975,000 million) year on year, signifying an interannual growth rate of 20.1%. Loans and discounts were 24.8% up on June 2000 and on-balance sheet customer funds were up by 17.3%. The rates of increase from December 2000 to June-end were 12.9% and 9.6%, respectively.

The customer base continued to increase at a very satisfactory rate and the total at Group level was 4.11 million customers, a net increase of 157,000 in the first half of 2001. The Internet bank-on-line banking channel launched at the end of 1998 had a total of 468,000 customers at the end of the first half of 2001.

The earnings for the first half of 2001 were very much higher than those of the same period in 2000, with double-digit growth rates in all margins, in substantially all cases arising from recurring banking business. Even more important is the fact that earnings are growing at a very similar rate to that of balance sheet growth, which fully confirms the validity of the Group's strategy.

The consolidated net income at June 30 of Euros 297 million (Ptas. 49,445 million) and the income attributable to the parent company of Euros 273 million (Ptas. 45,357 million) were 16.5% and 15.6%, respectively, higher year on year. The earnings per share in the first half of Euros 1.255 (Ptas. 208.87) were up 15.6% on the same period of 2000, while the earnings per share in the second quarter of Euros 0.625 were 16.0% higher than in the same quarter of 2000.

The ROE for the first half of 2001 was 26.7%, as compared with 26.1% twelve months earlier.

The net interest revenue in the first half of Euros 676 million (Ptas. 112,404 million) was 22.9% higher year on year. The service fee revenues of Euros 286 million (Ptas. 47,589 million) were 10.8% up on the same period of 2000.

The ordinary revenue, or total revenues of the business, of Euros 987 million (Ptas. 164,166 million) was 19.1% higher than in the first half of 2000.

Operating costs in the first half at Euros 369 million (Ptas. 61,354 million) were 13.4% higher (8.4% 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 37.4%, an improvement of 1.9 percentage points in the last twelve months.

The operating income, reflecting the operating result of the business, amounted to Euros 564 million (Ptas. 93,822 million) in the first half, 25.0% higher than in the first half of 2000. The figure for the second quarter of 2001 was Euros 288 million (Ptas. 47,853 million), a year-on-year increase of 25.4%.

The Group's risk management was again characterized by its ongoing criterion of prudence in granting and monitoring loans and discounts. The nonperforming loans ratio (nonperforming loans as a percentage of delinquent balances and total risk) again surpassed historical records. At June 30 it was 0.74%, compared with 0.82% twelve months earlier, and 0.79% at 2000 year-end.

The Group allocated Euros 110 million (Ptas. 18,236 million) of net provisions to the credit loss allowance in the first half, a year-on-year increase of 256.4%, of which Euros 37 million (Ptas. 6,193 million) were booked to the new statistical credit loss allowance, which did not exist in June 2000.

The recorded credit loss allowances totaled Euros 454 million (Ptas. 75,487 million) and for the first time were more than double the amount of the troubled risks: the coverage ratio was 204.8%, as compared with 163% in June 2000 and 184% at the end of 2000. Provisions of Euros 40 million (Ptas. 6,584 million) were also recorded for other purposes, mostly in accordance with management criteria not demanded by the relevant regulations, thus even further strengthening the Group's balance sheet soundness.

## Highlights

(Amounts in thousands of euros)

	June 30, 2001		June 30, 2000		
	Pesetas (Millions)			Variation Amount	%
<b>Business volume</b>					
Total assets managed	7,379,682	44,352,777	39,163,848	5,188,929	13.2
On-balance sheet assets	5,836,058	35,075,412	29,216,739	5,858,673	20.1
Customer funds:	5,608,288	33,706,485	30,770,865	2,935,620	9.5
On-balance sheet funds	4,064,664	24,429,120	20,823,756	3,605,364	17.3
Other intermediated funds	1,543,624	9,277,365	9,947,109	(669,744)	(6.7)
Loans and discounts	4,378,866	26,317,517	21,087,376	5,230,141	24.8
Off-balance sheet risks	597,672	3,592,082	3,257,316	334,766	10.3
<b>Solvency</b>					
Total equity	340,259	2,044,995	1,806,739	238,256	13.2
BIS ratio (%)		10.73	10.76	(0.03)	
<b>Risk management</b>					
Nonperforming loans	36,851	221,477	199,580	21,897	11.0
Allowances for credit losses	75,487	453,686	325,303	128,383	39.5
% nonperforming ratio		0.74	0.82	(0.08)	
% coverage (Credit loss allowance/Nonperforming loans)		204.85	162.99	41.86	
<b>Income statements</b>					
Net interest revenue	112,404	675,560	549,621	125,939	22.9
Basic banking revenue	159,993	961,579	807,805	153,774	19.0
Ordinary revenue	164,166	986,659	828,499	158,160	19.1
Operating income	93,822	563,880	451,163	112,717	25.0
Income before taxes	69,919	420,223	392,771	27,452	7.0
Net income	49,445	297,170	254,994	42,176	16.5
Net income attributable to Banco Popular Shareholders	45,357	272,604	235,884	36,720	15.6
<b>Net return and efficiency ratios (%)</b>					
Over average total assets (33,243,437 thousands of euros):					
Consolidated net income (ROA)		1.79	1.88	(0.09)	
Over average equity (2,044,995 thousands of euros):					
Net income attributable (ROE)		26.66	26.11	0.55	
Operating efficiency		37.37	39.24	(1.87)	
<b>Shares</b>					
Shares outstanding (thousands)		217,154	217,154	-	-
Shareholders		74,788	97,210	22,422	(23.1)
Share closing market price (euros)		41.29	32.40	8.89	27.4
Share book value (euros)		9.417	8.320	1.097	13.2
Net income per share (euros)		1.255	1.086	0.169	15.6
Dividend per share (euros)		0.597	0.539	0.058	10.8
<b>Other data</b>					
Employees		12,199	11,893	306	2.6
Spain		12,021	11,774	247	2.1
Abroad		178	119	59	49.6
Branches		2,120	2,041	79	3.9
Spain		2,096	2,026	70	3.5
Abroad		24	15	9	60.0
ATMs		3,076	2,705	371	13.7

## QUARTER PERFORMANCE\*

### Assets and funds

Table 1 presents the consolidated balance sheets at June 30, 2001, December 31, 2000, and June 30, 2000, with a similar level of detail as in the annual reports.

#### Total assets

The total on-balance sheet assets amounted to Euros 35,075 million at June 30, 2001, 20.1% more than at the same date in 2000 and 11.9% higher than at the beginning of the year.

The Group also manages other funds through off-balance sheet instruments which at June 30 totaled Euros 9,277 million and when aggregated to the above-mentioned figure signified a total business volume of Euros 44,353 million, up 13.2% year on year and 9.1% in the first six months of 2001.

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

#### Shareholders' equity

Consolidated equity amounted to Euros 2,045 million at June 30, 2001, an interannual increase of 13.2%, signifying a book value per share of Euros 9.42, up 13.2% in the last twelve months.

The computable capital per Bank of Spain solvency requirements amounted to Euros 2,585 million, as compared with the minimum requirement of Euros 287 million (12.5%), and the resulting solvency ratio was therefore 9.00% 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 3,069 million, with a cushion of Euros 782 million, and the B.I.S. solvency ratio was 10.73%, of which 8.76% related to Tier 1 capital.

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

### Agency ratings

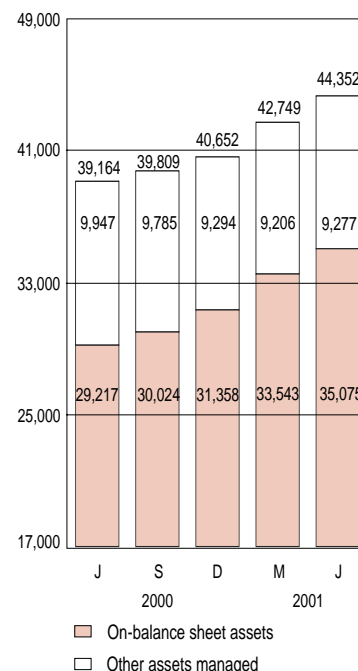
The three major international rating agencies have awarded Banco Popular the highest ratings in the Spanish financial system, based on its balance sheet strength, high level of efficiency and profitability. The ratings awarded as of June 30, 2001, were as follows:

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.

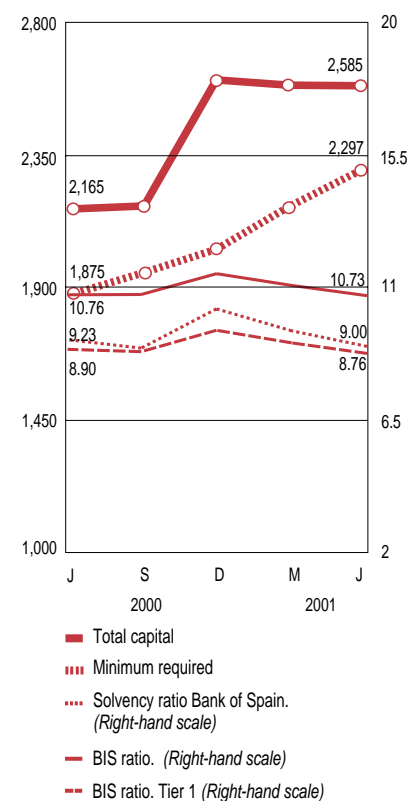
**Fig.1 Total assets managed at quarter-end**

(Millions of euros)



**Fig.2 Level of solvency**

(Millions of euros and %)



**Table 1. Consolidated Balance Sheets**

(Amounts in thousands of euros)

June 30, 2001

	Pesetas (Millions)	December 31		June 30	% increase (decrease)	
		2000	2000	2000	6 months	12 months
<b>Assets</b>						
Cash and due from central banks	91,363	549,100	412,106	463,453	33.2	18.5
Government debt securities:	93,132	559,736	302,689	590,207	84.9	(5.2)
<i>Government debt securities, gross</i>	93,143	559,802	302,817	590,488	84.9	(5.2)
<i>Less: Allowance for security price fluctuations</i>	(11)	(66)	(128)	(281)	(48.4)	(76.5)
Due from financial intermediaries:	910,465	5,472,004	5,466,607	5,115,136	0.1	7.0
<i>Due from financial intermediaries, gross</i>	910,517	5,472,320	5,466,985	5,116,498	0.1	7.0
<i>Less: Allowance for doubtful balances and country risk</i>	(52)	(316)	(378)	(1,362)	(16.4)	(76.8)
Loans and discounts:	4,310,632	25,907,419	22,962,523	20,797,646	12.8	24.6
<i>Loans and discounts:</i>	4,378,866	26,317,517	23,307,501	21,087,376	12.9	24.8
<i>To public bodies</i>	6,277	37,729	32,656	42,329	15.5	(10.9)
<i>To other residents</i>	4,215,375	25,334,913	22,657,246	20,519,840	11.8	23.5
<i>To nonresidents</i>	121,492	730,182	416,849	331,749	75.2	>
<i>Nonperforming loans</i>	35,722	214,693	200,750	193,458	6.9	11.0
<i>Less: Allowance for credit losses</i>	(68,234)	(410,098)	(344,978)	(289,730)	18.9	41.5
Private fixed-interest securities:	103,795	623,822	591,920	626,334	5.4	(0.4)
<i>Private fixed-interest securities, gross</i>	104,325	627,006	595,388	631,434	5.3	(0.7)
<i>Less: Allowance for security price fluctuations</i>	(530)	(3,184)	(3,468)	(5,100)	(8.2)	(37.6)
Equity securities:	18,391	110,535	59,944	68,285	84.4	61.9
<i>Equity securities, gross</i>	19,571	117,627	68,011	73,006	73.0	61.1
<i>Less: Allowance for security price fluctuations</i>	(1,180)	(7,092)	(8,067)	(4,721)	(12.1)	50.2
Participating interests	3,641	21,880	4,897	3,844	>	>
Shares of group companies	5,082	30,545	32,581	28,267	(6.2)	8.1
Intangible assets	3,325	19,981	13,615	13,028	46.8	53.4
Goodwill in consolidation	6,352	38,179	6,160	7,330	>	>
Tangible assets:	95,375	573,216	571,172	584,889	0.4	(2.0)
<i>Premises and equipment</i>	99,937	600,634	604,221	615,327	(0.6)	(2.4)
<i>Less: Allowance for potential losses on foreclosed assets and other</i>	(4,562)	(27,418)	(33,049)	(30,438)	(17.0)	(9.9)
Prepayments and accrued income	61,932	372,220	349,480	276,143	6.5	34.8
Other asset accounts	131,962	793,101	583,053	641,141	36.0	23.7
Losses at consolidated companies	611	3,674	1,047	1,036	>	>
<b>Total</b>	<b>5,836,058</b>	<b>35,075,412</b>	<b>31,357,794</b>	<b>29,216,739</b>	<b>11.9</b>	<b>20.1</b>
<b>Liabilities and Capital</b>						
Due to financial intermediaries	997,182	5,993,183	4,888,588	4,558,645	22.6	31.5
Customer deposits:	3,620,104	21,757,266	20,424,975	19,008,071	6.5	14.5
<i>From public bodies</i>	102,066	613,432	355,111	281,222	72.7	>
<i>From other residents</i>	3,056,151	18,367,835	17,463,529	16,215,783	5.2	13.3
<i>From nonresidents</i>	461,887	2,775,999	2,606,335	2,511,066	6.5	10.6
Bonds and other marketable debt securities	408,300	2,453,929	1,659,162	1,611,039	47.9	52.3
Subordinated financing	36,260	217,925	207,469	204,646	5.0	6.5
Other liability accounts	146,400	879,880	695,844	840,732	26.4	4.7
Accruals and deferred income	76,912	462,253	274,261	361,458	68.5	27.9
Special allowances:	97,050	583,285	506,697	392,967	15.1	48.4
<i>For pensions</i>	70,909	426,173	396,966	314,854	7.4	35.4
<i>Other allowances</i>	26,141	157,112	109,731	78,113	43.2	>
Negative difference in consolidation	95	570	570	552	-	3.3
Shareholders' equity:	340,870	2,048,669	1,816,811	1,807,775	12.8	13.3
<i>Common stock</i>	18,066	108,577	108,577	108,577	-	-
<i>Reserves</i>	177,226	1,065,147	931,200	924,090	14.4	15.3
<i>Consolidation reserves</i>	145,578	874,945	777,034	775,108	12.6	12.9
Minority interests	63,440	381,282	355,908	175,860	7.1	>
Year-to-date net income	49,445	297,170	527,509	254,994		16.5
<b>Total</b>	<b>5,836,058</b>	<b>35,075,412</b>	<b>31,357,794</b>	<b>29,216,739</b>	<b>11.9</b>	<b>20.1</b>
<b>Pro memoria</b>						
Off-balance sheet risks:	597,672	3,592,082	3,181,783	3,257,316	12.9	10.3
<i>Guarantees and other sureties</i>	546,097	3,282,109	2,899,003	2,992,479	13.2	9.7
<i>Documentary credits</i>	51,479	309,395	269,781	239,662	14.7	29.1
<i>Other contingent liabilities</i>	96	578	12,999	25,175	(95.6)	(97.7)
Allowance for doubtful off-balance sheet risks	7,165	43,063	38,693	32,364	11.3	33.1
Commitments:	798,681	4,800,167	4,464,278	4,370,309	7.5	9.8
<i>Unused portion of credit lines</i>	671,761	4,037,365	3,708,572	3,481,299	8.9	16.0
<i>Other commitments</i>	126,920	762,802	755,706	889,010	0.9	(14.2)
Other intermediated customer funds	1,543,624	9,277,365	9,293,993	9,947,109	(0.2)	(6.7)

**Table 2. Consolidated equity**

(Euro thousand)		30.06.01	31.12.00 (*)	30.06.00	% increase (decrease)	
	Pesetas (Millions)				6 months	12 months
Common stock	18,066	108,577	108,577	108,577	—	—
Reserves	177,226	1,065,147	1,047,991	924,090	17,156	141,057
Consolidation reserves	144,967	871,271	890,254	774,072	(18,983)	97,199
Less:						
Treasury stock	—	—	—	—		
<b>On-balance sheet equity</b>	<b>340,259</b>	<b>2,044,995</b>	<b>2,046,822</b>	<b>1,806,739</b>	<b>(1,827)</b>	<b>238,256</b>
Minority interests	63,440	381,282	371,928	175,860	9,354	205,422
Preferred stock	29,949	180,000	180,000	—	—	180,000
Other	33,491	201,282	191,928	175,860	9,354	25,422
Subordinated financing	36,260	217,925	207,469	204,646	10,456	13,279
Less:						
Intangible assets	(3,325)	(19,981)	(13,615)	(13,028)	(6,366)	(6,953)
Goodwill	(6,352)	(38,179)	(6,160)	(7,330)	(32,019)	(30,849)
Other	(213)	(1,278)	(1,199)	(1,954)	(79)	676
Bank of Spain computable capital	<b>430,069</b>	<b>2,584,764</b>	<b>2,605,245</b>	<b>2,164,933</b>	<b>(20,481)</b>	<b>419,831</b>
Minimum requirement	382,267	2,297,470	2,026,615	1,875,371	270,855	422,099
Capital cushion	47,802	287,294	578,630	289,562	(291,336)	(2,268)
<b>Bank of Spain solvency ratio (%)</b>		<b>9.00</b>	<b>10.28</b>	<b>9.24</b>		
<b>BIS computable capital</b>	<b>510,708</b>	<b>3,069,417</b>	<b>2,883,820</b>	<b>2,500,278</b>	<b>185,597</b>	<b>569,139</b>
<i>Of which: Tier 1 capital</i>	<i>417,130</i>	<i>2,507,003</i>	<i>2,398,696</i>	<i>2,068,269</i>	<i>108,307</i>	<i>438,734</i>
Minimum requirement	380,670	2,287,871	2,008,767	1,858,472	279,104	429,399
Capital cushion	130,038	781,546	875,053	641,806	(93,507)	139,740
<b>BIS ratio (%)</b>		<b>10.73</b>	<b>11.48</b>	<b>10.76</b>		
<i>Of which: Tier 1(%)</i>		<i>8.76</i>	<i>9.55</i>	<i>8.90</i>		

(\*) After distribution of 2000 income.

The latest rating report on Banco Popular (issued by Moody's Investors Services in June 2001) justifies its rating by "the bank's excellent financial fundamentals, including very high earning power and strong economic capitalisation. These elements are enhanced by the management of Banco Popular's continued commitment to improving financial strength and by prospects for a consistently solid financial performance in the future. Activity focuses exclusively on domestic retail businesses, which combined with a profitable network provides strong recurring income and profitability levels well above the average for the Spanish system - itself among the highest in Europe."

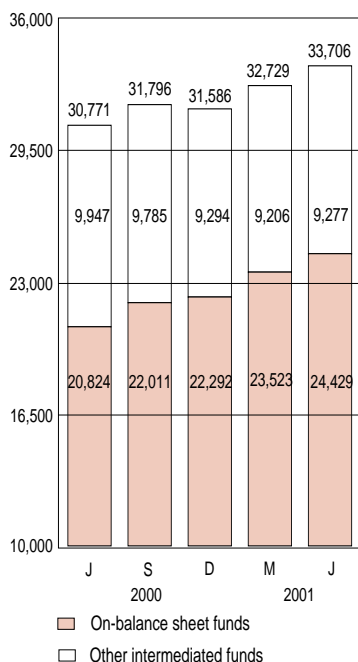
Moody's described the outlook for the bank's rating as "stable" and added: "Popular remains well positioned to maintain its risk-averse approach to growth, with scrutiny of costs and emphasis on earnings predictability." Finally, when referring to the bank's most recent results (March 2001), the Agency comments: "Pre-provision income increased strongly at a level of 25%, while customer spreads are gradually being restored. Asset quality remains strong and the bank maintains close attention to costs."

### Customer funds

The on-balance sheet customer funds at June 30, 2001, i.e. typical demand and time deposits plus the proceeds of temporary sales of assets, debt issues and subordinated financing, totaled Euros 24,429 million, up 17.3% year on year and 9.6% since the beginning of the year. On the basis of average semiannual balances the growth rate was 19.6% year on year.

**Fig.3 Customer funds**

(Millions of euros)



Deposits at June 30, 2001, amounted to Euros 21,757 million, up 14.5% year on year and 6.5% since December 2000. The deposits of private-sector residents, accounting for 84% of the total, rose by 13.3% year on year and by 5.2% from the end of 2000. Time deposits again grew strongly, by 43% and 17%, respectively.

The Group continued to expand its share in the deposits market: whereas the overall balance of resident savers in the Spanish system as a whole grew by 12.1% (10% at banks and 13.9% at savings banks) per the latest (May 2000) Bank of Spain data, the figure for Banco Popular was 14.9% at that date.

The funds obtained through the sale of marketable securities amounted to Euros 2,454 million, 52.3% higher than in June 2000 and 47.9% up on December 2000. This caption includes the issues of short-term corporate promissory notes, as an alternative to traditional liabilities, which amounted to Euros 898 million, with increases of 91.6% year on year and 80.5% in the first six months. It also includes medium- and long-term debt (Euronotes) in the Euromarket, with a balance of Euros 1,556 million and increases of 36.2% year on year and 33.9% in the first half of 2001.

The Euros 218 million of subordinated debt were up 6.5% year on year.

**Table 3. Customer funds**

(Amounts in thousands of euros)	June 30, 2001				% increase (decrease)	
	Pesetas (Millions)	June 30, 2001	December 31 2000	June 30 2000	6 months	12 months
Customer deposits:	3,620,104	21,757,266	20,424,975	19,008,071	6.5	14.5
<i>From public bodies:</i>	102,066	613,432	355,111	281,222	72.7	>
Demand deposits	33,903	203,763	252,565	249,877	(19.3)	(18.5)
Savings deposits	1,213	7,292	7,879	9,046	(7.5)	(19.4)
Time deposits	7,021	42,197	94,143	17,607	(55.2)	>
Assets sold under repurchase agreements	59,929	360,180	524	4,692	>	>
Other accounts	-	-	-	-	-	-
<i>From other residents:</i>	3,056,151	18,367,835	17,463,529	16,215,783	5.2	13.3
Deposits of private-sector residents:	2,881,527	17,318,324	15,614,366	14,890,682	10.9	16.3
Demand deposits	1,138,364	6,841,704	6,203,987	6,614,533	10.3	3.4
Savings deposits	536,397	3,223,813	3,210,179	3,204,682	0.4	0.6
Time deposits	1,206,766	7,252,807	6,200,200	5,071,467	17.0	43.0
Assets sold under repurchase agreements	174,624	1,049,511	1,849,163	1,325,101	(43.2)	(20.8)
Other accounts	-	-	-	-	-	-
<i>From nonresidents:</i>	461,887	2,775,999	2,606,335	2,511,066	6.5	10.6
Demand deposits	69,615	418,395	423,949	410,792	(1.3)	1.9
Savings deposits	101,518	610,137	579,529	572,660	(5.3)	6.5
Time deposits	288,875	1,736,174	1,599,204	1,523,663	8.6	13.9
Assets sold under repurchase agreements	1,521	9,142	2,855	2,621	>	>
Other accounts	358	2,151	798	1,330	>	61.7
Bonds and other marketable debt securities	408,300	2,453,929	1,659,162	1,611,039	47.9	52.3
Corporate promissory notes	144,364	897,693	497,274	468,423	80.5	91.6
Euronotes	258,936	1,556,236	1,161,888	1,142,616	33.9	36.2
Subordinated financing	36,260	217,925	207,469	204,646	5.0	6.5
Total (a)	4,064,664	24,429,120	22,291,606	20,823,756	9.6	17.3
Other intermediated customer funds:						
Financial assets sold outright						
to customers (outstanding balances)	117,685	707,303	777,569	894,226	(9.0)	(20.9)
Mutual funds	972,304	5,843,662	6,002,693	6,694,338	(2.6)	(12.7)
Asset portfolio management	72,150	433,633	313,409	264,764	38.4	63.8
Pension funds	303,243	1,822,525	1,784,853	1,683,741	2.1	8.2
Life insurance technical reserves	78,242	470,242	415,469	410,040	13.2	14.7
Total (b)	1,543,624	9,277,365	9,293,993	9,947,109	(0.2)	(6.7)
Total (a+b)	5,608,288	33,706,485	31,585,599	30,770,865	6.7	9.5

The balance of off-balance sheet funds at June end was Euros 9,277 million, a reduction of 6.7% year on year and practically unchanged (down by 0.2%) since the end of 2000, as a result of the decrease in mutual funds, the main component of this caption, which declined by 12.7% year on year and by 2.6% in the first half of 2001. The mutual funds sector is generally continuing to suffer an appreciable decrease of assets, which began in the second half of 2000, as a result of a lower inflow of funds and the diminution in value of portfolios because of the negative trend of the securities markets. Per advance data for the sector as a whole at the end of June 2001, the total assets of mutual funds had fallen by 10.5% in the last twelve months and by 3.1% in the first half of this year.

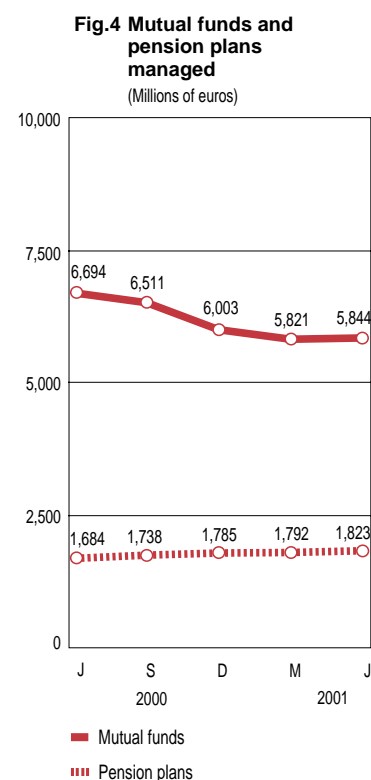
The balance of pension funds, at Euros 1,823 million, was 8.2% higher than in June 2000 and 2.1% up in the first half of 2001.

Total on- and off-balance sheet funds held by the Group at June 30, 2001, amounted to Euros 33,706 million, up 9.5% year on year and 6.7% 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 26,318 million at June 30, 2001, up by 24.8% year on year and by 12.9% in the first half, and represented 75% of total assets and 108% of on-balance sheet customer funds. On the basis of average balances, the growth rate was 24.0%.

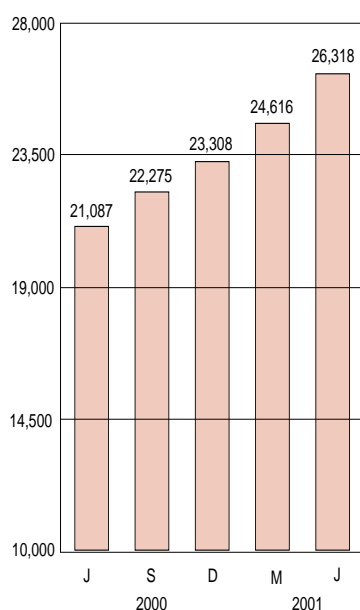


**Table 4. Loans and discounts**

(Amounts in thousands of euros)	June 30, 2001				% increase (decrease)	
	Pesetas (Millions)		December 31 2000	June 30 2000	6 months	12 months
<i>To public bodies:</i>	6,277	37,729	32,656	42,329	15.5	(10.9)
Secured loans	-	-	-	-	-	-
Other term loans	6,232	37,458	32,587	39,904	14.9	(6.1)
Overdrafts and other	45	271	69	2,425	>	(88.8)
<i>To other residents:</i>	4,215,375	25,334,913	22,657,246	20,519,840	11.8	23.5
Trade loans and discounts	744,527	4,474,700	4,105,329	3,628,470	9.0	23.3
Secured loans	1,654,567	9,944,149	8,520,249	7,659,049	16.7	29.8
Mortgage loans	1,651,854	9,927,842	8,472,759	7,646,443	17.1	29.8
Other	2,713	16,307	47,490	12,606	(65.7)	29.4
Other term loans:	1,353,779	8,136,375	7,591,455	6,816,521	7.2	19.4
Loans and credits	1,332,725	8,009,838	7,529,682	6,814,373	6.4	17.5
Repos	21,054	126,537	61,773	2,148	>	>
Overdrafts and other	169,877	1,020,980	863,328	950,018	18.3	7.5
Leasing	292,625	1,758,709	1,576,885	1,465,782	11.5	20.0
<i>To nonresidents:</i>	121,492	730,182	416,849	331,749	75.2	>
Trade loans and discounts	29,605	177,929	6,646	4,679	>	>
Secured loans	45,482	273,351	238,116	204,343	14.8	33.8
Mortgage loans	43,329	260,411	223,775	187,380	16.4	39.0
Other	2,153	12,940	14,341	16,963	(9.8)	(23.7)
Other term loans	38,469	231,207	155,163	93,709	49.0	>
Overdrafts and other	7,936	47,695	16,924	29,018	>	64.4
<i>Nonperforming loans:</i>	35,722	214,693	200,750	193,458	6.9	11.0
To public bodies	107	644	641	640	0.5	0.6
To other residents	34,186	205,459	197,246	190,971	4.2	7.6
To nonresidents	1,429	8,590	2,863	1,847	>	>
<b>Total</b>	<b>4,378,866</b>	<b>26,317,517</b>	<b>23,307,501</b>	<b>21,087,376</b>	<b>12.9</b>	<b>24.8</b>

**Fig.5 Loans and discounts**

(Millions of euros)



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.

Credit to private-sector resident borrowers represented 96% of total loans and discounts with growth of 23.5% year on year and similar growth rates in all categories: 23.3% in trade loans and discounts, 29.8% in mortgage loans, 17.5% in personal credits and loans, and 20% in leasing transactions.

Per the latest available (May) data of the Bank of Spain, credit to residents in the Spanish financial system as a whole increased by 12.2% year on year (7.8% at banks and 17.8% at savings banks). Compared with the Group's figure (21.3%), this confirms that the Group's share of the credit market continues to increase considerably.

### Risk management

The Group's troubled balances (nonperforming loans) at June 30 amounted to Euros 221.5 million, an increase of 11% compared with June 30, 2000, and of 6.2% since the beginning of the year. During the first six months of 2001 Euros 110.3 million of assets were transferred to this category, Euros 55.9 million of transactions were favorably settled, and others of Euros 41.5 million were written off against credit loss allowances. The resulting net increase in nonperforming loans was Euros 12.9 million.

**Table 5. Risk management performance**

(Amounts in thousands of euros)

	June 30, 2001		June 30 2000	Variation	
	Pesetas (Millions)			Amount	%
<i>Nonperforming loans*:</i>					
Balance at January 1	34,709	208,603	196,013	12,590	6.4
<i>Additions</i>	18,349	110,280	89,429	20,851	23.3
<i>Balances recovered</i>	(9,307)	(55,936)	(51,789)	(4,147)	8.0
Net variation for the year	9,042	54,344	37,640	16,704	44.4
% increase		26.1	19.2		
Writeoffs	(6,900)	(41,470)	(34,073)	(7,397)	21.7
Balance at June 30	36,851	221,477	199,580	21,897	11.0
<i>Allowance for credit losses:</i>					
Balance at January 1	63,874	383,891	328,201	55,690	17.0
Annual provision:					
Gross	20,814	125,096	48,996	76,100	>
Recoveries	(2,528)	(15,193)	(17,820)	2,627	(14.7)
Net	18,286	109,903	31,176	78,727	>
Other variations	227	1,362	(1)	1,363	
Writeoffs	(6,900)	(41,470)	(34,073)	(7,397)	21.7
Balance at June 30	75,487	453,686	325,303	128,383	39.5
<i>Foreclosed real estate assets</i>	11,118	66,819	96,180	(29,361)	(30.5)
<i>Allowance for potential losses on foreclosed assets</i>	4,513	27,125	30,111	(2,968)	(9.9)
<i>Pro memoria:</i>					
Total risks	4,976,446	29,909,040	24,344,420	5,564,620	22.9
Loans transferred to suspense accounts	105,171	632,092	579,158	52,934	9.1
Nonperforming mortgage loans	1,842	11,071	33,565	(22,494)	(67.0)
<i>Risk quality measures (%):</i>					
Nonperformance (Nonperforming loans/Total risks)		0.74	0.82		
Insolvency (Writeoffs/Total risks)		0.14	0.14		
Coverage: (Credit loss allowance/Nonperforming loans)		204.85	162.99		
(Credit loss allowance plus mortgages/ Nonperforming loans)		209.84	179.81		

\* 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, continued to decrease appreciably and reached a new record low level of 0.74% at June 30, as compared with 0.82% twelve months earlier and 0.79% at 2000 year-end, confirming the high quality of the Group's assets.

In accordance with its ongoing policy of prudence, the Group continues to record substantial provisions, even though the foregoing figures evidence the soundness of its balance sheet. Net provisions to credit loss allowances in the first half of 2001 amounted to Euros 109,6 million, 256.4% more than in the same period of the preceding year. Euros 44.2 million of the foregoing amount were specific provisions for risks, Euros 28.5 million were general provisions, Euros -0.3 million for country risk and Euros 37.2 million for the statistical credit loss allowance (SCLA) which did not exist in June 2000. Euros 12.9 million of balances classified as bad debts were recovered during the half of 2001.

The recorded credit loss allowances totaled Euros 453.7 million at June 30, 39.5% higher than in June 2000, and for the first time are more than double the balance of nonperforming loans, with a coverage ratio of 204.85%, compared with 162.99% twelve months earlier and 184.03% at December 31, 2000.

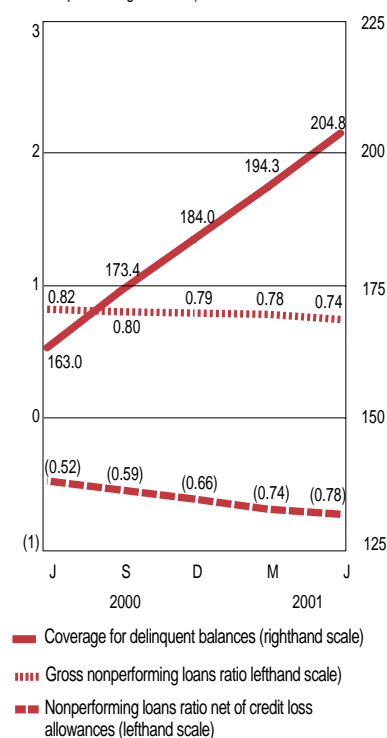
Foreclosed real estate assets, substantially all buildings, amounted to Euros 66.8 million, 30.5% lower than in June 2000, as a result of the active disposal of such assets by sale. To cover possible losses in such disposals, there was an allowance of Euros 27.1 million at June 30, representing a coverage of 40.6% of their book value.

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

Euros 39.6 million of other provisions, mostly booked in accordance with internal management criteria not required by the relevant regulations, were also recorded, thus strengthening the 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 June 30**

(Amounts in thousands of euros)

	2001		2000		2000	
	Balance	Total Provisioning	Balance	Total Provisioning	Balance	Total Provisioning
Doubtful balances with specific allowances:	32,827	17,934	197,292	107,788	163,053	97,966
Ordinary	30,860	16,868	185,473	101,379	132,505	81,997
Secured by prime collateral	858	396	5,154	2,380	25,093	13,127
Off-balance sheet risks	1,109	670	6,665	4,029	5,455	2,842
Doubtful balances with generic allowances:	3,722	33	22,370	195	34,049	298
Doubtful balances for which allowances are not required:	302		1,815		2,478	253
Total nonperforming loans	36,851	17,967	221,477	107,983	199,580	98,517
Other specific provisioning	2,748	252	16,514	1,512		
Allowances for ordinary risks:	4,847,632	44,419	29,134,855	266,963	24,141,824	212,891
General provisioning (1%)	4,038,485	40,373	24,271,782	242,647	18,436,132	184,362
Reduced provisioning (0.5%)	809,147	4,046	4,863,073	24,316	5,705,692	28,529
Statistical allowance		11,500		69,118		
Total required provisions		74,138		445,576		311,408
Balance of credit loss allowances		75,487		453,686		325,303
Surplus		1,349		8,110		13,895

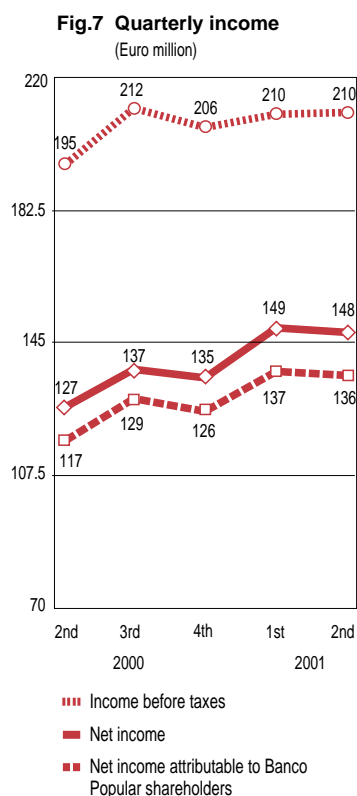
## Earnings and profitability

### Income statement

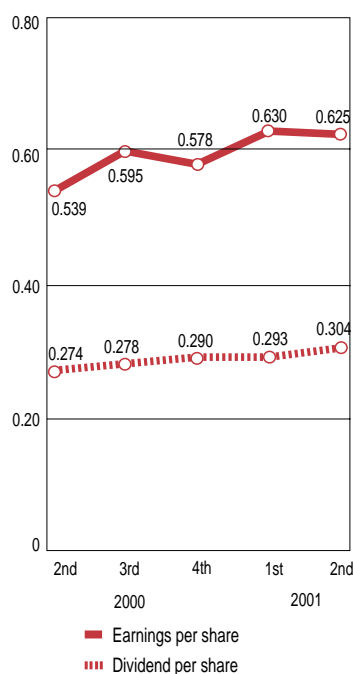
Table 7 is the consolidated income statement at June 30, 2001, compared with that at the same date in 2000.

The pretax income of Euros 420.2 million was 7.0% higher year on year. Corporate income tax was 10.7% lower due to the tax impact of the externalization of the pension allowances of the Group banks pact at the end of 2000, which will be materialized shortly after completion of the administrative procedures presently in progress.

The net income amounted to Euros 297.2 million, 16.5% higher than in the first half of 2000; after deduction of minority interests, the income attributable to



**Fig.8 Quarterly earnings and dividend per share**  
(Euro)



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

(Amounts in thousands of euros)	2001			
	Pesetas (Millions)	2000	% increase (decrease)	
Interest and similar revenues	187,886	1,129,217	802,203	40.8
- Interest and similar charges:	76,798	461,567	259,611	77.8
<i>On liabilities</i>	74,973	450,597	250,235	80.1
<i>Allocable to pension allowance</i>	1,825	10,970	9,376	17.0
+ Revenues from equity securities	1,316	7,910	7,029	12.5
<b>= Net interest revenue</b>	<b>112,404</b>	<b>675,560</b>	<b>549,621</b>	<b>22.9</b>
+ Fees for services, net:	47,589	286,019	258,184	10.8
<i>Loan-related fees</i>	6,298	37,852	30,597	23.7
<i>Fees for guarantees, other sureties and documentary credits</i>	3,902	23,452	20,508	14.4
<i>Fees for other banking services</i>	37,389	224,715	207,079	8.5
<b>= Basic banking revenue</b>	<b>159,993</b>	<b>961,579</b>	<b>807,805</b>	<b>19.0</b>
+ Asset trading and exchange profits, net:	4,173	25,080	20,694	21.2
<i>Financial asset trading income</i>	928	5,577	7,543	(26.1)
<i>Writedowns of securities portfolio and derivatives</i>	165	994	(1,347)	
<i>Exchange, translation and dealing gains</i>	3,080	18,509	14,498	27.7
<b>= Ordinary revenue</b>	<b>164,166</b>	<b>986,659</b>	<b>828,499</b>	<b>19.1</b>
- Operating costs:	61,354	368,745	325,119	13.4
<i>Personnel expenses</i>	44,289	266,179	234,643	13.4
<i>General expenses</i>	14,569	87,562	77,350	13.2
<i>Taxes other than income tax</i>	2,496	15,004	13,126	14.3
- Depreciation	5,636	33,872	33,460	1.2
+ Other operating income	102	612	758	(19.3)
- Other operating expenses:	3,456	20,774	19,515	6.5
<i>Contribution to Deposit Guarantee Fund</i>	1,446	8,689	7,641	13.7
<i>Directors' fees and other mandated appropriations</i>	1,910	11,482	11,506	(0.2)
<i>Other</i>	100	603	368	63.9
<b>= Operating income</b>	<b>93,822</b>	<b>563,880</b>	<b>451,163</b>	<b>25.0</b>
+ Share in equity method investees' income, net	(159)	(956)	(484)	97.5
- Amortization of goodwill in consolidation	608	3,652	1,181	>
+ Gains (Losses) on group transactions, net	486	2,918	5,918	(50.7)
- Writeoffs and provisions for credit losses:	16,084	96,665	17,122	>
<i>Provision to allowance for credit losses</i>	18,236	109,599	30,752	>
<i>Recovery of bad debts written off</i>	(2,152)	(12,934)	(13,630)	(5.1)
± Extraordinary gains (losses), net:	(7,538)	(45,302)	(45,523)	(0.5)
<i>Recovery of pension allowance</i>	1,110	6,675	5,406	23.5
<i>Extraordinary provision to allowance for pensions</i>	(1,760)	(10,579)	(14,057)	(24.7)
<i>Provision to allowances for other purposes</i>	(6,584)	(39,569)	(30,374)	30.3
<i>Other</i>	(304)	(1,829)	(6,498)	(71.9)
<b>= Income before taxes</b>	<b>69,919</b>	<b>420,223</b>	<b>392,771</b>	<b>7.0</b>
- Corporate income tax provision	20,474	123,053	137,777	(10.7)
<b>= Net income</b>	<b>49,445</b>	<b>297,170</b>	<b>254,994</b>	<b>16.5</b>
- Minority interests	4,088	24,566	19,110	28.6
<b>= Net income attributable to Popular shareholders</b>	<b>45,357</b>	<b>272,604</b>	<b>235,884</b>	<b>15.6</b>

Banco Popular shareholders was Euros 272.6 million, an increase of 15.6% over that of the first half of 2000.

Earnings per share in the first half amounted to Euros 1.255, 15.6% up year on year.

Figure 7 plots the growth of these 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 675.6 million was 22.9% higher than in the first half of 2000, mainly as a result of the growth in loans and discounts.

Service fee revenues at Euros 286 million were up by 10.8% compared to the first half of 2000, with very positive performances in all captions except mutual fund fees, which fell by 17.7% due to the decrease in assets managed 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 June 30**

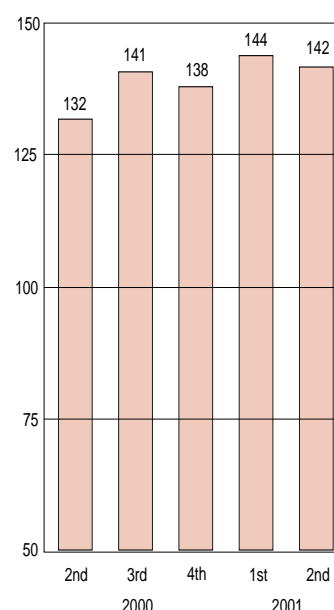
	2001			
	Pesetas (Millions)	2000	% variation	
Loan-related fees:	6,298	37,852	30,597	23.7
<i>Bill discounting</i> .....	3,882	23,333	19,452	20.0
<i>Other</i> .....	2,416	14,519	11,145	30.3
Provision of guarantees and other sureties .....	3,902	23,452	20,508	14.4
Operating services:	37,389	224,715	207,079	8.5
Collection and payment handling :	18,109	108,835	91,517	18.9
<i>Note collection</i> .....	4,797	28,829	24,556	17.4
<i>Checks</i> .....	1,869	11,233	9,537	17.8
<i>Direct debit transactions</i> .....	1,208	7,259	6,297	15.3
<i>Payment systems</i> .....	7,059	42,423	34,605	22.6
<i>Fund transfers</i> .....	3,176	19,091	16,522	15.5
Foreign currency purchase and sale transactions ..	603	3,623	3,514	3.1
Customer financial asset management:	14,202	85,358	89,032	(4.1)
<i>Securities portfolio</i> .....	2,234	13,426	10,552	27.2
<i>Mutual funds</i> .....	8,108	48,733	59,249	(17.7)
<i>Pension plans</i> .....	3,860	23,199	19,231	20.6
Administration of demand deposits .....	3,244	19,501	16,740	16.5
Other .....	1,231	7,398	6,276	17.9
<b>Total</b> .....	<b>47,589</b>	<b>286,019</b>	<b>258,184</b>	<b>10.8</b>

The financial asset trading income of Euros 25.1 million was 21.2% higher year on year.

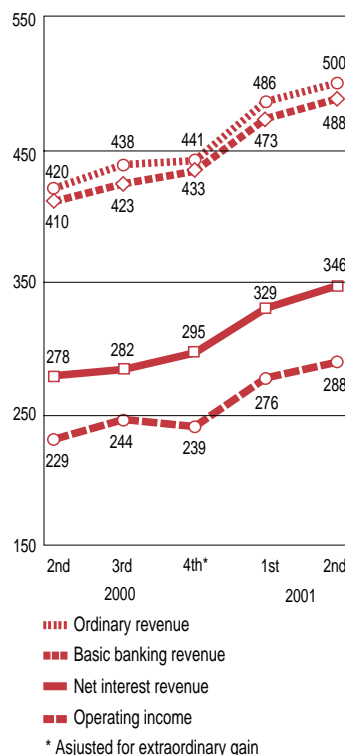
Ordinary revenue, i.e. the total banking business revenues, amounted to Euros 986.7 million, up 19.1% year on year.

Operating costs in the first half amounted to Euros 368.7 million, 13.4% more than in the first six months of 2000. As explained in the report for the first quarter of 2001, the externalization of the pension allowance led to charges to personnel costs of certain items previously reflected in another income statement caption (provisions to pension allowances). On a uniform basis with the preceding year, personnel costs increased by 6.6% year on year and all operating costs by 8.4%.

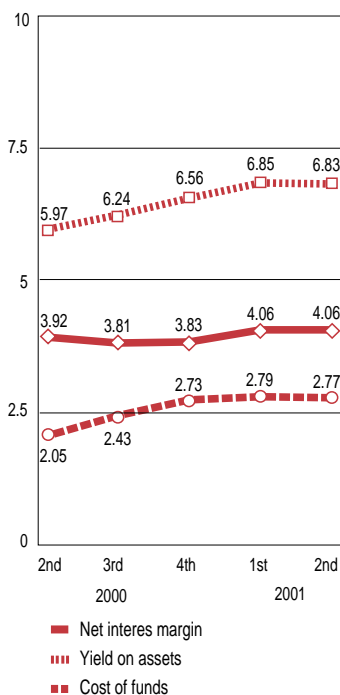
**Fig.9 Service revenues**  
(Millions of euros)



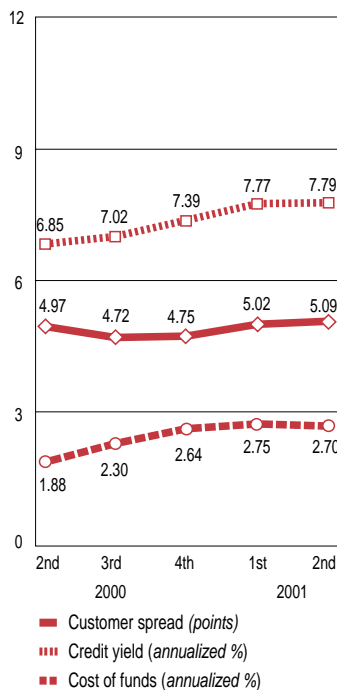
**Fig.10 Quarterly revenues**  
(Millions of euros)



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



**Fig.12 Quarterly customer spread**



Operating income amounted to Euros 563.9 million, up 25.0% on the first half of 2000. These figures synthesize the Group's strategy of combining strong growth of the business with prudent management of asset and liability prices, the development of banking services and moderation in transformation costs.

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

Net provisions to credit loss allowances amounted to Euros 109.6 million, 256.4% higher than in the first half of 2000. The breakdown detail of this amount is disclosed in the Risk Management section of this Report. Bad debts recovered amounted to Euros 12.9 million.

**Table 9. Quarterly income and profitability**

(Amounts in thousands of euros)	2000				2001		Pesetas (Millions)
	2nd	3rd	4th	1st	2nd		
Interest and similar revenues	422,582	462,108	505,062	555,208	581,919		96,823
- Interest and similar charges	144,929	179,706	210,276	225,956	235,611		39,202
<b>= Net interest revenue</b>	<b>277,653</b>	<b>282,402</b>	<b>294,786</b>	<b>329,252</b>	<b>346,308</b>		<b>57,621</b>
+ Fees for services, net	132,239	141,069	138,168	144,093	141,926		23,615
+ Asset trading and exchange profits, net	9,940	14,606	84,191	13,076	12,004		1,997
<b>= Ordinary revenue</b>	<b>419,832</b>	<b>438,077</b>	<b>517,145</b>	<b>486,421</b>	<b>500,238</b>		<b>83,233</b>
- Operating costs:	164,320	167,243	175,298	183,200	185,545		30,872
<i>Personnel expenses</i>	118,663	120,036	122,342	132,819	133,360		22,189
<i>Other expenses</i>	45,657	47,207	52,956	50,381	52,185		8,683
- Depreciation	16,759	17,008	17,006	16,851	17,021		2,832
± Other operating income/expenses, net	(9,478)	(9,424)	(9,489)	(10,092)	(10,070)		(1,676)
<b>= Operating income</b>	<b>229,275</b>	<b>244,402</b>	<b>315,352</b>	<b>276,278</b>	<b>287,602</b>		<b>47,853</b>
± Other items, net	7,166	6,780	2,016	787	6,021		1,002
- Provisions and writedowns	41,105	39,641	111,266	67,214	83,251		13,852
<b>= Income before taxes</b>	<b>195,336</b>	<b>211,541</b>	<b>206,102</b>	<b>209,851</b>	<b>210,372</b>		<b>35,003</b>
- Corporate income tax provision	68,768	74,080	71,048	60,618	62,435		10,388
<b>= Net income</b>	<b>126,568</b>	<b>137,461</b>	<b>135,054</b>	<b>149,233</b>	<b>147,937</b>		<b>24,615</b>
- Minority interests	9,572	8,308	9,534	12,355	12,211		2,032
<b>= Net income attributable</b>	<b>116,996</b>	<b>129,153</b>	<b>125,520</b>	<b>136,878</b>	<b>135,726</b>		<b>22,583</b>

(As annualized % of average total assets)	2000			2001	
	2nd	3rd	4th	1st	2nd
Yield on assets	5.97	6.24	6.56	6.85	6.83
- Cost of funds	2.05	2.43	2.73	2.79	2.77
<b>= Net interest margin</b>	<b>3.92</b>	<b>3.81</b>	<b>3.83</b>	<b>4.06</b>	<b>4.06</b>
+ Yield on services, net	1.87	1.91	1.80	1.78	1.67
+ Yield on financial assets trading and exchange profits	0.14	0.20	1.09	0.16	0.14
<b>= Ordinary margin</b>	<b>5.93</b>	<b>5.92</b>	<b>6.72</b>	<b>6.00</b>	<b>5.87</b>
- Operating costs:	2.32	2.26	2.28	2.26	2.18
<i>Personnel costs</i>	1.68	1.62	1.59	1.64	1.57
<i>Other expenses</i>	0.64	0.64	0.69	0.62	0.61
- Depreciation	0.24	0.23	0.22	0.21	0.20
± Other operating income/expenses, net	(0.13)	(0.13)	(0.12)	(0.12)	(0.11)
<b>= Operating profitability</b>	<b>3.24</b>	<b>3.30</b>	<b>4.10</b>	<b>3.41</b>	<b>3.38</b>
± Other items, net	0.10	0.09	0.03	0.01	0.07
- Provisions and writedowns	0.58	0.53	1.45	0.83	0.98
<b>= Pre-tax income return</b>	<b>2.76</b>	<b>2.86</b>	<b>2.68</b>	<b>2.59</b>	<b>2.47</b>
- Corporate income tax	0.97	1.00	0.92	0.75	0.73
<b>= Net income return (ROA)</b>	<b>1.79</b>	<b>1.86</b>	<b>1.76</b>	<b>1.84</b>	<b>1.74</b>

Pro memoria:	2000		2001		
	2nd	3rd	4th	1st	2nd
<i>Leverage</i>	14.5 x	15.4 x	15.8 x	14.5 x	15.3 x
<b>Net return on average equity (ROE)</b>	<b>25.90</b>	<b>28.60</b>	<b>27.79</b>	<b>26.76</b>	<b>26.55</b>
Operating efficiency	39.14	38.18	39.79*	37.66	37.09

\* Adjusted for extraordinary gain.

The Group also booked Euros 39.6 million (30.3% more) to provisions for other purposes, mainly of a precautionary nature. Provisions for pensions of Euros 10.6 million (24.7% less, for the reasons stated earlier) were also recorded.

Total provisions and writedowns charged to income in the first half, comprising the foregoing items and others of lower amount such as the Euros 3.7 million of amortization of goodwill, amounted to Euros 150.5 million, an interannual increase of 139.8%. In view of the high quality of the assets, as evidenced in the foregoing Risk Management section, these figures are an illustrative synthesis of the criteria 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 halves 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 six quarters are presented in Table 11.

Average total assets in the first half of 2001 amounted to Euros 33,243 million, an increase of 22.3% year on year and 10.1% compared with the preceding six months.

Fig.13 Operating efficiency

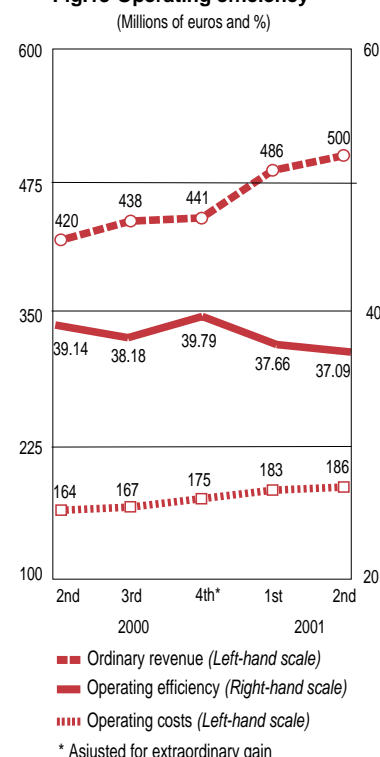


Table 10. First-half yields and costs

(Amounts in thousands of euros and rates annualized)	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 . .	45,706	274,696	0.83	6,262	4.56	478,593	1.76	10,620	4.44	
Financial system:	983,229	5,909,328	17.78	145,814	4.94	4,553,614	16.76	99,520	4.37	
In euros . . . . .	637,128	3,829,217	11.52	86,600	4.52	3,119,363	11.48	56,532	3.62	
In foreign currencies . . . . .	346,101	2,080,111	6.26	59,214	5.69	1,434,251	5.28	42,988	5.99	
Loans and discounts:	4,099,518	24,638,597	74.12	958,777	7.78	19,863,715	73.09	677,232	6.82	
In euros . . . . .	4,050,311	24,342,857	73.23	950,019	7.81	19,604,965	72.14	669,055	6.83	
In foreign currencies . . . . .	49,207	295,740	0.89	8,758	5.92	258,750	0.95	8,177	6.32	
Securities portfolio:	142,245	854,910	2.57	26,274	6.15	785,702	2.89	21,860	5.56	
Government debt securities . . . . .	14,104	84,765	0.25	2,531	5.97	104,883	0.39	2,888	5.51	
Other fixed-interest securities . . . . .	104,616	628,756	1.89	15,833	5.04	581,735	2.14	11,943	4.11	
Equity securities . . . . .	23,525	141,389	0.43	7,910	11.19	99,084	0.36	7,029	14.19	
Total earning assets (a) . . . . .	5,270,698	31,677,531	95.30	1,137,127	7.18	25,681,624	94.50	809,232	6.30	
Other assets . . . . .	260,545	1,565,906	4.70	—	—	1,494,316	5.50	—	—	
<b>Total assets . . . . .</b>	<b>5,531,243</b>	<b>33,243,437</b>	<b>100.00</b>	<b>1,137,127</b>	<b>6.84</b>	<b>27,175,940</b>	<b>100.00</b>	<b>809,232</b>	<b>5.95</b>	
Financial system:	908,154	5,458,117	16.42	133,884	4.91	4,019,032	14.79	80,230	3.99	
In euros . . . . .	626,075	3,762,786	11.32	89,987	4.78	3,146,768	11.58	54,953	3.49	
In foreign currencies . . . . .	282,079	1,695,331	5.10	43,897	5.18	872,264	3.21	25,277	5.80	
Customer funds:	3,872,980	23,277,076	70.02	316,713	2.72	19,469,035	71.64	170,005	1.75	
Customer accounts:	3,468,487	20,846,028	62.71	262,000	2.51	17,932,368	65.99	145,010	1.62	
In euros:	3,321,235	19,961,025	60.05	242,890	2.43	17,052,310	62.75	124,806	1.46	
Demand and savings deposits . . . . .	1,734,508	10,424,604	31.36	47,528	0.91	10,437,490	38.41	34,174	0.65	
Time deposits . . . . .	1,308,140	7,862,080	23.65	155,710	3.96	5,611,992	20.65	69,865	2.49	
Assets sold under repurchase agreements . . . . .	278,282	1,672,510	5.03	39,652	4.74	1,001,501	3.69	20,767	4.15	
Other . . . . .	305	1,831	0.01	—	—	1,327	—	—	—	
In foreign currencies . . . . .	147,252	885,003	2.66	19,110	4.32	880,058	3.24	20,204	4.59	
Bonds and other marketable debt securities . . . . .	404,493	2,431,048	7.31	54,713	4.50	1,536,667	5.65	24,995	3.25	
Pension allowance . . . . .	68,177	409,750	1.23	10,970	5.35	306,594	1.13	9,376	6.12	
Total interest-bearing liabilities (b) . . . . .	4,849,311	29,144,943	87.67	461,567	3.17	23,794,661	87.56	259,611	2.18	
Other non-interest-bearing liabilities . . . . .	341,673	2,053,499	6.18	—	—	1,574,540	5.79	—	—	
Capital accounts . . . . .	340,259	2,044,995	6.15	—	—	1,806,739	6.65	—	—	
<b>Total liabilities and capital . . . . .</b>	<b>5,531,243</b>	<b>33,243,437</b>	<b>100.00</b>	<b>461,567</b>	<b>2.78</b>	<b>27,175,940</b>	<b>100.00</b>	<b>259,611</b>	<b>1.91</b>	
Spread (a-b) . . . . .					4.01				4.12	

**Table 11. Quarterly yields and costs**

(Data in % and rates annualized)

	2000								2001			
	1st		2nd		3rd		4th		1st		2nd	
	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
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
Loans and discounts	73.71	6.79	72.53	6.85	73.09	7.02	73.91	7.39	73.72	7.77	74.49	7.79
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
<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	95.06	7.19
Other assets	5.57	—	5.43	—	5.30	—	5.48	—	4.48	—	4.94	—
<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>	<b>100.00</b>	<b>6.83</b>
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
Customer funds	71.53	1.63	70.63	1.88	71.96	2.30	71.02	2.64	70.25	2.75	69.80	2.70
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
<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	88.28	3.13
Other non-interest-bearing liabilities	6.43	—	6.31	—	6.77	—	7.12	—	6.66	—	5.72	—
Capital accounts	6.95	—	6.38	—	6.10	—	5.87	—	6.31	—	6.00	—
<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>	<b>100.00</b>	<b>2.77</b>
<i>Spread (a-b)</i>		4.26		3.97		3.80		3.80		3.97		4.06
<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		34,059,695

The average yield on assets in the first half was 6.84%, 89 basis points higher than in the same period of 2000. The average cost of funds was 2.78%, an increase of 87 basis points, and the resulting net interest margin on average total assets was 2 basis points higher (4.06%, compared with 4.04%).

Subtraction from the yield on earning assets of the cost of interest-bearing liabilities leaves the spread, which was 4.01 and 4.12 percentage points in the two periods addressed, a decrease of 11 basis points.

The customer spread, i.e. yield on loans and discounts minus cost of customer funds, was 5.06 percentage points, 1 basis points lower than in the first half of 2000.

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

### Operating performance

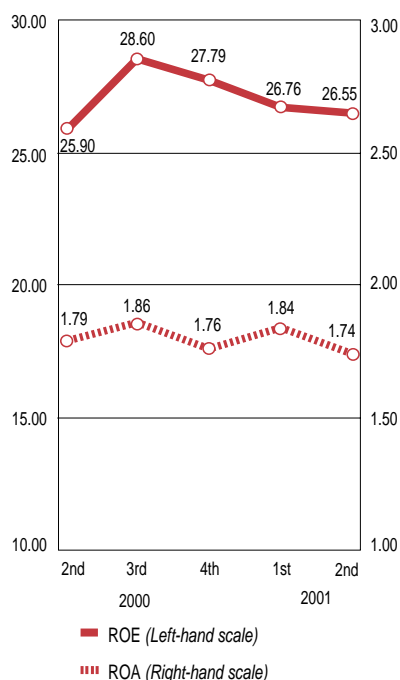
The lower portion of Table 9 shows the income statements for the second quarter of 2001 and the four previous quarters as annualized percentages of average total assets.

The net interest margin of 4.06% on average total assets in the second quarter was 14 basis points higher than in the same quarter of 2000 and held steady with that of the previous quarter. The ordinary margin fell by 6 basis points and 13 basis points, respectively, in those two periods.

Operating profitability in the quarter was 3.38% on average total assets, 14 basis points higher than in the same period of 2000 and 3 basis points lower than in the previous quarter. The ROA was 1.74% compared with 1.79% in the second quarter of 2000 and 1.84% in the first quarter of 2001.

The operating efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, again improved to 37.09% in the quarter, as compared with 39.14% in the same period of 2000 and 37.66% in the first quarter of 2001. Figure 13 plots the variation in this indicator in the last five quarters.

**Fig.14 ROA and ROE**  
(Annualized %)



The leverage coefficient, i.e. the ratio of average total assets to average equity, was 15.3 times compared with 14.5 times twelve months earlier and in the preceding quarter.

Finally, the ROE, i.e. attributable net income as an annualized percentage of average equity, was 26.55% in the second quarter, as compared with 25.90% in the same period of 2000 and 26.76% in the first quarter of 2001.

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

## Market performance of Banco Popular shares

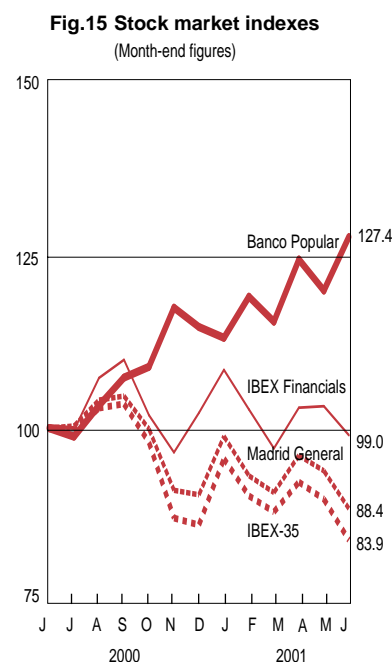
The Bank's share price closed at Euros 41.29 at the end of the first half, 27.4% higher than the matching figure of Euros 32.40 twelve months earlier. In this period the market performed negatively and the IBEX-35 fell by 16.1%, the financial sector IBEX (including Banco Popular) fell by 1% and the Madrid Stock Exchange general index by 11.6%.

With respect to the closing price of Euros 37.10 in 2000, the Banco Popular share appreciated by 11.3% in the first half while the three aforementioned indexes fell by 2.5%, 3.1% and 2.2%, respectively.

The market return on Banco Popular shares - the rise (or fall) in the share price plus dividend payments - in the last twelve months was 31% and in the first half was 12.9%.

The P/E ratio of Banco Popular shares at the end of the first half was 16.4 times the annualized income for the period.

At the date of this report, the performance of Banco Popular's shares has been even more satisfactory, considering that since June 30 the stock has virtually held its price steady (Euros 40.75) whereas the market as a whole (IBEX-35 index) has additionally fallen by 506 points (5.7%).



**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
2nd	217,154	40,545	18.67	42.10	36.31	41.29	0.304	11.4

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

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

90.9 million shares representing 41.8% of the total stock outstanding were traded in the first half of 2001, at an average price of Euros 38.04 per share. The matching percentage in the same period of 2000, reflecting the market liquidity of the stock, was 64.2%.

On June 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 six months of this year it intervened as a buyer in 0.87% of the transactions in its stock and as a seller in the same percentage, and the maximum treasury stock held in the first half was 0.27% of the capital stock.

For details of variations in market price, dividends, market return and liquidity in the last five quarters, see Table 12. On an index basis with June 30, 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 indexes mentioned above.

Madrid, July 2001



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BANCO POPULAR ESPAÑOL  
34 Velázquez St. 28001 Madrid  
Telephone: (34) 91 520 70 00. Fax: (34) 91 577 92 08  
Internet: <http://www.bancopopular.es>