

The evolution of the Banco Popular Group in the first quarter reaffirmed yet again the success of the strategy of profitable growth which is its permanent objective. In an environment marked by the slowdown of the economy and strong competition among banks, the Group continued to expand its customer base and business volume, particularly in lending, at higher rates than those of the Spanish financial system as a whole, with the consequent increase in market share.

At the same time, the Group maintained its unchanging policy of financial strength: its solvency exceeds the average of the banking sector and its ratings are the highest in the entire Spanish financial system, with further improvements in its margins, the return on invested capital and its operating efficiency.

At March 31, 2002, the Group's consolidated balance sheet totaled €37,974 million, up 13.2% year on year, driven mainly by the 17.9% growth in loans and discounts, which amounted to €29,015 million. On-balance sheet customer funds were 15.0% higher year on year at €27,060 million. The Group was also managing €9,838 million of other off-balance sheet financial assets, an increase of 6.9% year on year.

Earnings in the quarter revealed substantial progress in all margins at double-digit rates over the same period of 2001. The consolidated net income in the first quarter of €166 million and the income attributable to the parent company of €152 million were 11.2% and 11.3%, respectively, higher year on year.

The earnings per share in the first quarter of €0.702 were 11.3% up on the same period of 2001. The ROE (annualized) for the first three months of 2002 was 26.56% compared with 26.76% in the first quarter of 2001.

The net interest revenue in the first quarter of €397 million was a substantial 20.6% higher and represented a improvement of 13 basis points on the average balance sheet total, compared with the same period of the previous year. The service fee revenues of €138 million were 3.9% lower year on year, mainly due to less activity in the investment banking area and to the performance of mutual funds. The ordinary revenue of €546 million was 12.2% higher than twelve months earlier.

Operating costs in the first quarter grew at a rate of 5.2% year on year, which compares very favorably with the strong growth rate of the business. Personnel costs rose by 2.8% (with a 0.7% increase in the headcount) and general expenses by 12.5%. The efficiency ratio, i.e. the portion of total revenues absorbed by operating costs, again improved to 35.3% in the quarter, compared with 37.7% twelve months earlier.

The operating income from the Group's business amounted to €328 million, a significant increase of 18.6% over the first quarter of 2001. This growth rate, which was similar to that of the main balance sheet aggregates, confirms that profitability advances in parallel with the expansion of business volume.

Risk management was again characterized by the Group's permanent policy of prudence. Nonperforming loans were 25.4% higher year on year at €275 million. The nonperforming loans ratio (nonperforming loans as a percentage of total risk) was slightly higher at 0.83% at March 31, compared with 0.78% twelve months earlier and 0.80% at 2001 year-end. These figures reflect the weakening of the economy that started in the second half of 2001 following a protracted expansive cycle.

The Group allocated €61 million of net provisions to the credit loss allowance in the first quarter, a year-on-year increase of 14.1%. The recorded credit loss allowances totaled €538 million which, compared with the total of troubled risks, signified a coverage ratio of 195.5%, thus maintaining its customary level (194.3% in March 2001 and 197.7% at 2001 year-end). Other provisions of €17 million were also recorded, mostly for internal, not regulatorily demanded reasons, in anticipation of the lower rate of economic activity persisting for longer than expected.

The Group's commercial action continued to be satisfactory, supported by product cross-selling and the increasing use of new distribution channels, which again expanded in parallel with the branch network. The Group now has a total of 4.35 million customers, a net increase of 101,000 in the quarter. The Internet bank-on-line banking channel added 80,000 new customers, bringing the total to 694,000. Bancopopular-e, the Group's specialized subsidiary, continued to grow rapidly, with a balance sheet of €200 million, and has reported operating income since the end of 2001.

Highlights

(Amounts in €thousand)

	March 31 2002	March 31 2001	Variation	
			Amount	%
Business volume				
Total assets managed	47,811,957	42,749,001	5,062,956	11.8
On-balance sheet total assets	37,974,432	33,543,198	4,431,234	13.2
Total equity	2,305,710	2,046,248	259,462	12.7
Customer funds:	36,897,888	32,729,121	4,168,767	12.7
On-balance sheet funds	27,060,363	23,523,318	3,537,045	15.0
Other intermediated funds	9,837,525	9,205,803	631,722	6.9
Loans and discounts	29,015,051	24,615,810	4,399,241	17.9
Off-balance sheet risks	4,327,501	3,412,236	915,265	26.8
Solvency				
BIS ratio (%)	11.13	11.08	0.05	
Of which: Tier 1 (%)	8.97	9.12	(0.15)	
Risk management				
Total risks	33,340,617	28,027,573	5,313,044	19.0
Nonperforming loans	275,481	219,763	55,718	25.4
Allowances for credit losses	538,459	426,961	111,498	26.1
% nonperforming ratio	0.83	0.78	0.05	
% coverage (Credit loss allowance/Nonperforming loans)	195.46	194.28	1.18	
Income statements				
Net interest revenue	397,001	329,252	67,749	20.6
Basic banking revenue	535,431	473,345	62,086	13.1
Ordinary revenue	545,834	486,421	59,413	12.2
Operating income	327,743	276,278	51,465	18.6
Income before taxes	261,585	209,851	51,734	24.7
Net income	165,992	149,233	16,759	11.2
Net income attributable to Banco Popular Shareholders	152,399	136,878	15,521	11.3
Net return and efficiency ratios (%)				
Net income:				
Over average total assets (€37,909,766 thousand): ROA	1.75	1.84	(0.09)	
Over average risk-weighted total assets (€30,794,036 thousand): RORWA	2.16	2.30	(0.14)	
Net income attributable:				
Over average equity (€2,295,578 thousand): ROE	26.56	26.76	(0.20)	
Operating efficiency	35.31	37.66	(2.35)	
Shares				
Shares outstanding (thousands)	217,154	217,154	-	-
Share closing market price (€)	43.20	37.35	5.85	15.7
Share book value (€)	10.618	9.423	1.195	12.7
Net income per share (€)	0.702	0.630	0.072	11.3
Dividend per share (€)	0.332	0.293	0.039	13.3
Price/Book value	4.07	3.96	0.11	
Price/Earnings (annualized)	15.4	14.8	0.60	
Other data				
Shareholders	73,522	79,474	(5,952)	(7.5)
Employees	12,135	12,055	80	0.7
Spain	11,948	11,879	69	0.6
Abroad	187	176	11	6.3
Branches	2,163	2,106	57	2.7
Spain	2,136	2,082	54	2.6
Abroad	27	24	3	12.5
ATMs	3,263	2,945	318	10.8

QUARTER-END FINANCIAL REPORT*

Assets and funds

Table 1 presents the consolidated balance sheets at March 31, 2002, December 31, 2001, and March 31, 2001, with the customary level of detail.

Total assets

The total on-balance sheet assets amounted to €37,974 million at March 31, 2002, an increase of €4,431 million over the same date in 2001, a year-on-year increase of 13.2%.

The Group also manages other financial assets through off-balance sheet instruments which at March 31 totaled €9,838 million, up 6.9% year on year, which, when aggregated to the above-mentioned figure, signified a total business volume for the Group of €47,812 million at quarter-end, an increase of €5,063 million (11.8%) year on year.

Figure 1 plots the variation in period-end total on- and off-balance sheet assets managed since March 2001.

Shareholders' equity

Consolidated equity amounted to €2,306 million at March 31, 2002, an interannual increase of 12.7%, signifying a book value per share of €10.62.

The computable capital per Bank of Spain regulations amounted to €3,038 million, and exceeded the minimum requirement by €489 million, with a solvency ratio of 9.54% as compared with the required minimum of 8%. The computable capital includes, in addition to the per books capital and reserves, the minority interests, subordinated financing and other minor items.

Under the BIS solvency rules, which are those used at international level, the Group's computable capital amounted to €3,537 million, with a cushion of €995 million, and the BIS solvency ratio was 11.13%, of which 8.97% related to Tier 1 core capital.

Table 2 and Figure 2 show the variation in the computable capital since December 2000, the required minimum amounts and the solvency measurements, under both sets of rules.

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 currently assigned are as follows:

Agency	Individual	Short term	Long term
Fitch Ratings	A	F1+	AA
Moody's	A-	P1	Aa1
Standard & Poor's		A1+	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
(€ million)

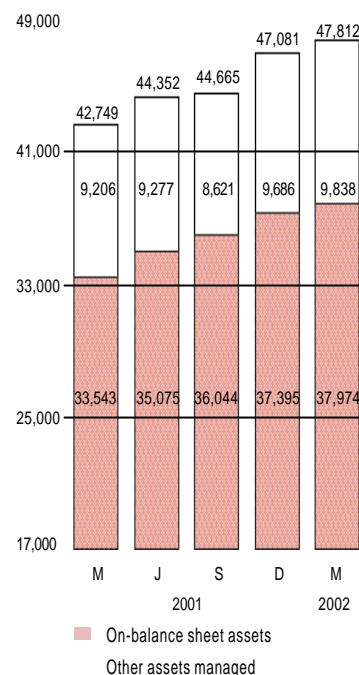


Fig.2 Solvency
(€ million and %)

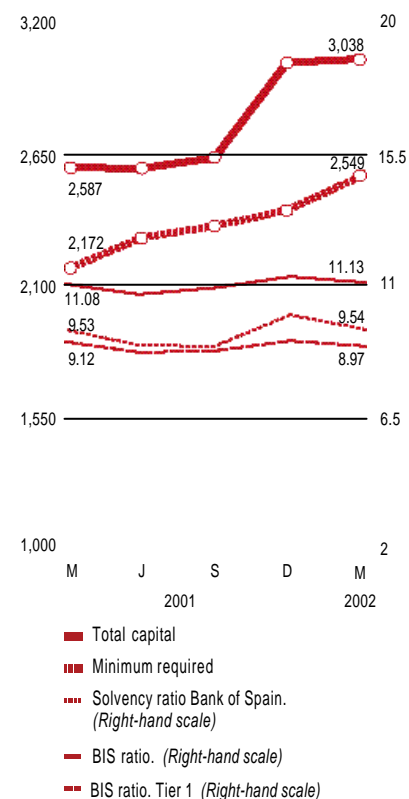


Table 1. Consolidated Balance Sheets

(Amounts in € thousand)

	March 31	December 31	March 31	% variation	
	2002	2001	2001	3 months	12 months
Assets					
Cash and due from central banks	1,038,745	1,887,105	473,413	(45.0)	>
Government debt securities:	348,380	623,813	355,457	(44.2)	(2.0)
<i>Government debt securities, gross</i>	348,407	623,854	355,549	(44.2)	(2.0)
<i>Less: Allowance for security price fluctuations</i>	(27)	(41)	(92)	(34.1)	(70.7)
Due from financial intermediaries:	5,235,854	4,968,925	6,204,269	5.4	(15.6)
<i>Due from financial intermediaries, gross</i>	5,237,009	4,969,166	6,204,407	5.4	(15.6)
<i>Less: Allowance for doubtful balances and country risk</i>	(1,155)	(241)	(138)	>	>
Loans and discounts:	28,534,223	27,368,371	24,233,606	4.3	17.7
<i>Loans and discounts:</i>	29,015,051	27,820,010	24,615,810	4.3	17.9
<i>To public bodies</i>	39,005	30,429	36,432	28.2	7.1
<i>To other residents</i>	27,777,163	26,652,900	23,732,434	4.2	17.0
<i>To nonresidents</i>	930,856	888,822	634,541	4.7	46.7
<i>Nonperforming loans</i>	268,027	247,859	212,403	8.1	26.2
<i>Less: Allowance for credit losses</i>	(480,828)	(451,639)	(382,204)	6.5	25.8
Private fixed-interest securities:	479,434	495,348	663,820	(3.2)	(27.8)
<i>Private fixed-interest securities, gross</i>	482,060	497,702	667,463	(3.1)	(27.8)
<i>Less: Allowance for security price fluctuations</i>	(2,626)	(2,354)	(3,643)	11.6	(27.9)
Equity securities:	647,945	122,590	81,693	>	>
<i>Equity securities, gross</i>	656,199	129,629	87,975	>	>
<i>Less: Allowance for security price fluctuations</i>	(8,254)	(7,039)	(6,282)	17.3	31.4
Participating interests	23,725	23,241	22,354	2.1	6.1
Shares of group companies	28,828	33,282	28,611	(13.4)	0.8
Intangible assets	19,356	20,791	15,263	(6.9)	26.8
Goodwill in consolidation	30,972	33,613	40,340	(7.9)	(23.2)
Tangible assets:	569,276	580,594	572,192	(1.9)	(0.5)
<i>Premises and equipment</i>	594,215	606,842	603,628	(2.1)	(1.6)
<i>Less: Allowance for potential losses on foreclosed assets and other</i>	(24,939)	(26,248)	(31,436)	(5.0)	(20.7)
Prepayments and accrued income	311,714	299,970	359,251	3.9	(13.2)
Other asset accounts	696,825	934,273	489,255	(25.4)	42.4
Losses at consolidated companies	9,155	3,643	3,674	>	>
Total	37,974,432	37,395,559	33,543,198	1.5	13.2
Liabilities and Capital					
Due to financial intermediaries	6,212,364	6,925,077	5,710,018	(10.3)	8.8
Customer deposits:	23,064,324	22,615,236	20,899,322	2.0	10.4
<i>From public bodies</i>	596,081	311,132	825,917	91.6	(27.8)
<i>From other residents</i>	19,558,599	19,458,265	17,390,195	0.5	12.5
<i>From nonresidents</i>	2,909,644	2,845,839	2,683,210	2.2	8.4
Bonds and other marketable debt securities	3,731,413	2,986,466	2,410,771	24.9	54.8
Subordinated financing	264,626	263,469	213,225	0.4	24.1
Other liability accounts	1,094,382	878,951	827,644	24.5	32.2
Accruals and deferred income	377,674	301,009	356,074	25.5	6.1
Special allowances:	229,971	282,380	542,545	(18.6)	(57.6)
<i>For pensions</i>	–	–	408,912	–	(100.0)
<i>Other allowances</i>	229,971	282,380	133,633	(18.6)	72.1
Negative difference in consolidation	444	444	570	–	(22.1)
Shareholders' equity:	2,314,865	2,030,016	2,049,922	14.0	12.9
<i>Common stock</i>	108,577	108,577	108,577	–	–
<i>Reserves</i>	1,206,650	1,057,359	1,065,100	14.1	13.3
<i>Consolidation reserves</i>	999,638	864,080	876,245	15.7	14.1
Minority interests	518,377	498,347	383,874	4.0	35.0
Year-to-date net income	165,992	614,164	149,233	–	11.2
Total	37,974,432	37,395,559	33,543,198	1.5	13.2
Pro memoria					
Off-balance sheet risks:	4,327,501	4,279,024	3,412,236	1.1	26.8
<i>Guarantees and other sureties</i>	4,001,904	3,941,196	3,133,731	1.5	27.7
<i>Documentary credits</i>	304,581	310,717	277,935	(2.0)	9.6
<i>Other contingent liabilities</i>	21,016	27,111	570	(22.5)	>
Allowance for doubtful off-balance sheet risks	58,449	54,691	44,234	6.9	32.1
Commitments:	5,066,171	5,015,418	4,450,143	1.0	13.8
<i>Unused portion of credit lines</i>	4,353,851	4,256,861	3,774,369	2.3	15.4
<i>Other commitments</i>	712,320	758,557	675,774	(6.1)	5.4
Other intermediated customer funds	9,837,525	9,685,704	9,205,803	1.6	6.9

Table 2. Consolidated equity

(Amounts in € thousand)	March 31 2002	December 31 2001	March 31 2001	% variation	
				3 months	12 months
Common stock	108,577	108,577	108,577	—	—
Reserves	1,206,650	1,208,633	1,065,100	(1,983)	141,550
Consolidation reserves	990,483	979,115	872,571	11,368	117,912
Less:					
Treasury stock	—	—	—	—	—
On-balance sheet equity	2,305,710	2,296,325	2,046,248	9,385	259,462
Minority interests	518,377	518,177	383,874	200	134,503
Preferred stock	300,000	300,000	180,000	—	120,000
Other	218,377	218,177	203,874	200	14,503
Subordinated financing	264,626	263,469	213,225	1,157	51,401
Less:					
Intangible assets	(19,356)	(20,791)	(15,263)	1,435	(4,093)
Goodwill	(30,972)	(33,613)	(40,340)	2,641	9,368
Other	(117)	(742)	(963)	625	846
Bank of Spain computable capital	3,038,268	3,022,825	2,586,781	15,443	451,487
Minimum requirement	2,549,142	2,411,253	2,171,856	137,889	377,286
Capital cushion	489,126	611,572	414,925	(122,446)	74,201
Bank of Spain solvency ratio (%)	9.54	10.03	9.53		
BIS computable capital	3,537,332	3,418,438	2,968,694	118,894	568,638
Of which: Tier 1 capital	2,851,795	2,759,819	2,444,126	91,976	407,669
Minimum requirement	2,542,116	2,413,388	2,144,086	128,728	398,030
Capital cushion	995,216	1,005,050	824,608	(9,834)	170,608
BIS ratio (%)	11.13	11.33	11.08		
Of which: Tier 1(%)	8.97	9.15	9.12		

(*) After distribution of 2000 income.

In February 2002, Moody's Investors Service confirmed the Aa1 rating of Banco Popular awarded to it in 1998. The accompanying report bases its rating of the Bank on its "excellent financial fundamentals, including very high earning power and strong economic capitalization" and identifies as "stable" its rating perspective. It goes on to highlight the fact that the Bank's activity focuses on retail domestic business which, in conjunction with its profitable branch network, enables it to obtain high recurring earnings and a much higher level of profitability than the average for all Spanish banks, which is in turn one of the highest in Europe. The report further notes that Banco Popular has been able to successfully adapt to an environment of low interest rates and to gain market share while maintaining its long-standing and prudent credit practices.

At the end of March, Fitch Ratings also confirmed its AA rating for Banco Popular and the "stable" perspective of the Bank's ratings, which "reflect its excellent track record of strong profitability and revenue generation, solid retail deposit franchise, outstanding asset quality and adequate capital". The Fitch report adds that the Bank "has maintained this leading performance throughout various economic cycles, prove of its good management".

Standard and Poor's maintained its AA rating for Banco Popular in its most recent assessment in November 2001.

Customer funds

The on-balance sheet customer funds at March 31, 2002, i.e. typical demand and time deposits plus the proceeds of temporary sales of assets (repos), debt issues and subordinated financing, totaled €27,060 million, up 15.0% year on year and 4.6% since the beginning of the year. On the basis of average balances the growth rate was 13.4% year on year.

Deposits at March 31, 2002, amounted to €23,064 million, up 10.4% year on year and 2.0% since December 2001. The deposits of private-sector residents,

Fig.3 Customer funds
(€ million)

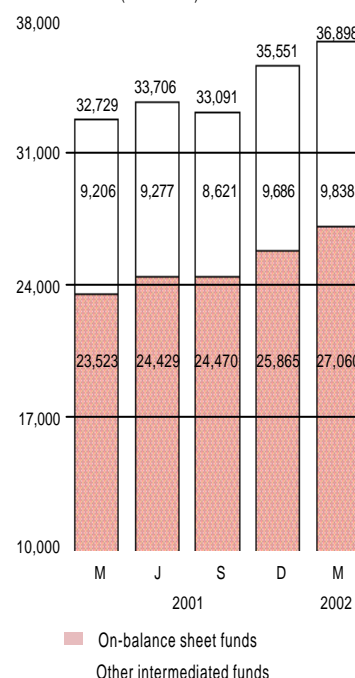
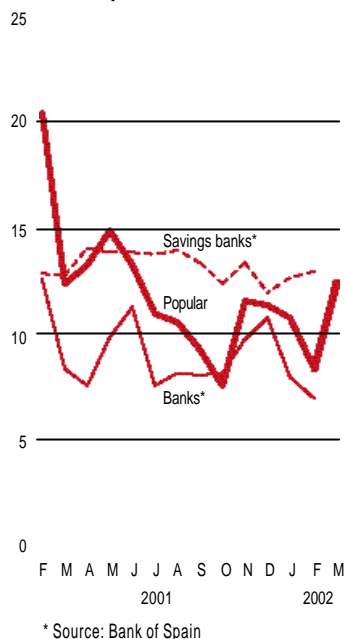


Fig.4 % annual variation in total resident private-sector deposits



accounting for 85% of the total, rose by 12.5% year on year. Demand deposits (current and savings accounts) were 13.3% higher, time deposits increased by 13.1% and temporary sales of assets by 2.3%.

Figure 4 shows the growth of private sector deposits in the entire Spanish financial system (through the end of February 2002, the latest date for which Bank of Spain figures have been published), compared with the figures for Banco Popular. Throughout the period addressed, the Group grew faster than other banks and slightly less than savings banks, with average differentials of 2.9 and -1.3 percentage points, respectively, and hence with an appreciable increase of market share with respect to banks but not to savings banks.

The funds obtained through the sale of short-term marketable securities amounted to €1,188 million at March end, a 78.2% increase year on year. The instruments were notes placed with domestic customers as an alternative to deposits and these funds should therefore be aggregated to deposits in management terms, raising the growth in total funds taken from private sector residents to 14.9%.

The medium- and long-term bonds issued in the Euromarket by instrumental subsidiaries and guaranteed by Banco Popular amounted to €2,544 million, an increase of 45.8% over March 2001. Subordinated debt totaled €265 million, an interannual increase of 24.1%.

The balance of off-balance sheet funds managed at March end was €9,838 million, an increase of 6.9%. The evolution of the main component items is analyzed below.

Table 3. Customer funds

(Amounts in € thousand)	March 31	December 31	March 31	% variation	
	2002	2001	2001	3 months	12 months
Customer deposits:	23,064,324	22,615,236	20,899,322	2.0	10.4
From public bodies:	596,081	311,132	825,917	91.6	(27.8)
Demand deposits	252,160	247,083	277,005	2.1	(9.0)
Savings deposits	7,178	12,054	7,394	(40.5)	(2.9)
Time deposits	41,965	51,927	43,897	(19.2)	(4.4)
Assets sold under repurchase agreements	294,778	68	497,621	>	(40.8)
Other accounts	-	-	-	-	-
From other residents:	19,558,599	19,458,265	17,390,195	0.5	12.5
Deposits of private-sector residents:	18,326,833	18,192,152	16,186,128	0.7	13.2
Demand deposits	6,929,676	7,025,173	6,032,787	(1.4)	14.9
Savings deposits	3,409,681	3,453,534	3,093,060	(1.3)	10.2
Time deposits	7,987,476	7,713,445	7,060,281	3.6	13.1
Assets sold under repurchase agreements	1,231,766	1,266,113	1,204,067	(2.7)	2.3
Other accounts	-	-	-	-	-
From nonresidents:	2,909,644	2,845,839	2,683,210	2.2	8.4
Demand deposits	498,370	479,390	428,798	4.0	16.2
Savings deposits	685,481	645,476	574,681	6.2	19.3
Time deposits	1,720,726	1,716,511	1,673,042	0.2	2.9
Assets sold under repurchase agreements	3,008	2,568	3,006	17.1	0.1
Other accounts	2,059	1,894	3,683	8.7	(44.1)
Bonds and other marketable debt securities	3,731,413	2,986,466	2,410,771	24.9	54.8
Bonds and debentures outstanding	2,543,848	1,968,146	1,744,360	29.3	45.8
Promissory notes and other securities	1,187,565	1,018,320	666,411	16.6	78.2
Subordinated financing	264,626	263,469	213,225	0.4	24.1
Total (a)	27,060,363	25,865,171	23,523,318	4.6	15.0
Other intermediated customer funds:					
Financial assets sold outright					
to customers (outstanding balances)	681,757	655,584	703,568	4.0	(3.1)
Mutual funds	5,850,711	5,815,695	5,820,743	0.6	0.5
Asset portfolio management	440,815	406,336	424,168	8.5	3.9
Pension funds	2,378,571	2,350,675	1,792,219	1.2	32.7
Life insurance technical reserves	485,671	457,414	465,105	6.2	4.4
Total (b)	9,837,525	9,685,704	9,205,803	1.6	6.9
Total (a+b)	36,897,888	35,550,875	32,729,121	3.8	12.7

Mutual funds continued their recovery which had started in the fourth quarter of 2001, and for the first time since mid-1999 the assets administered grew slightly by 0.5% year on year, compared with decreases of 3.1% and 16.8% in December and March 2001, respectively. Causal analysis of the variations in mutual fund assets in the last twelve months reveals an appreciable net inflow of contributions, which was substantially all neutralized by the diminution in value of the assets. By type of fund, fixed-income funds were up by 7% and monetary asset funds by 3%, whereas equity funds were virtually unchanged, due to the effect of the poor performance of stock markets, and guaranteed funds were down by nearly 5%.

Per advance data for the sector as a whole at the end of March 2002, the total assets of mutual funds had increased by 2.3% in the last twelve months and by 1.2% since December 2001.

The balance of pension plans managed by the Group totaled €2,379 million, a year-on-year increase of 32.7%. Taking into account the inclusion of the funds for employees of the Group banks in the fourth quarter of 2001 as a result of externalization, the adjusted growth rate was 9.1%.

To summarize, total on- and off-balance sheet customer funds held by the Group at March 31, 2002, amounted to €36,898 million, up 12.7% year on year and 3.8% from the beginning of the year.

Table 3 and Figure 3 show the evolution of total customer funds since March 2001.

Loans and discounts

The Group's loans and discounts totaled €29,015 million at March 31, 2002, up by 17.9% year on year and by 4.3% in the first three months; the average

Fig.5 Loans and discounts
(€million)

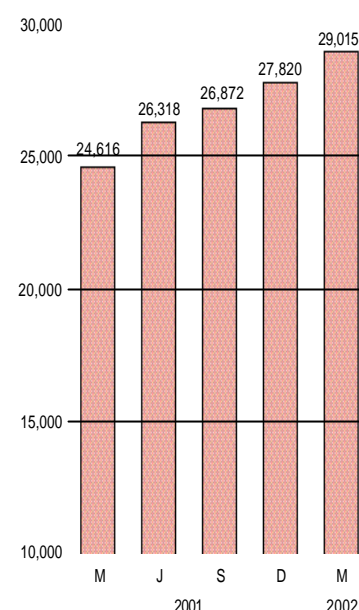
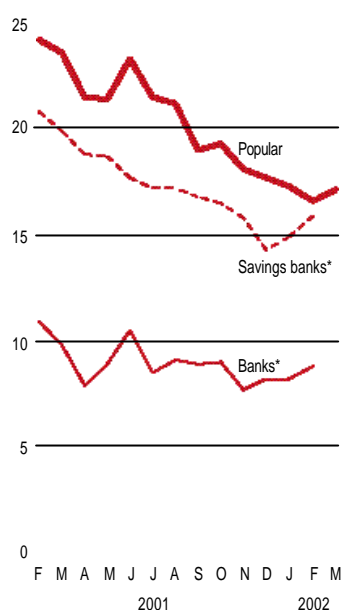


Table 4. Loans and discounts

(Amounts in € thousand)	March 31	December 31	March 31	% variation	
	2002	2001	2001	3 months	12 months
<i>To public bodies:</i>	39,005	30,429	36,432	28.2	7.1
Secured loans	–	–	–	–	–
Other term loans	38,761	30,383	34,692	27.6	11.7
Overdrafts and other	244	46	1,740	>	(86.0)
<i>To other residents:</i>	27,777,163	26,652,900	23,732,434	4.2	17.0
Trade loans and discounts	4,277,841	4,201,563	4,187,096	1.8	2.2
Secured loans	12,036,984	11,262,796	9,232,360	6.9	30.4
Mortgage loans	12,004,204	11,223,590	9,200,248	7.0	30.5
Other	32,780	39,206	32,112	(16.4)	2.1
Other term loans:	8,557,933	8,325,869	7,699,192	2.8	11.2
Loans and credits	8,423,481	8,226,529	7,671,831	2.4	9.8
Repos	134,452	99,340	27,361	35.3	>
Overdrafts and other	1,029,729	1,009,182	938,390	2.0	9.7
Leasing	1,874,676	1,853,490	1,675,396	1.1	11.9
<i>To nonresidents:</i>	930,856	888,822	634,541	4.7	46.7
Trade loans and discounts	181,950	191,090	166,124	(4.8)	9.5
Secured loans	321,422	302,389	254,176	6.3	26.5
Mortgage loans	315,294	296,019	240,685	6.5	31.0
Other	6,128	6,370	13,491	(3.8)	(54.6)
Other term loans	372,566	348,422	182,925	6.9	>
Overdrafts and other	54,918	46,921	31,316	17.0	75.4
<i>Nonperforming loans:</i>	268,027	247,859	212,403	8.1	26.2
To public bodies	694	698	641	(0.6)	8.3
To other residents	258,998	238,497	202,979	8.6	27.6
To nonresidents	8,335	8,664	8,783	(3.8)	(5.1)
Total	29,015,051	27,820,010	24,615,810	4.3	17.9

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



* Source: Bank of Spain

balance in the quarter was 18.2% higher than in the same period of 2001, and represented 76% of total assets and 107% of on-balance sheet customer funds.

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 6.

Credit to private-sector residents, amounting to €27,777 million, represented 96% of total loans and discounts, with growth of 17.0% year on year. Mortgage loans, mostly for home-buying, were again the most dynamic component, with a growth rate of 30.5%. Unsecured credits and loans (other term loans) were up by 9.8%, leasing transactions by 11.9%, and trade discounts by only 2.2%.

Figure 6, showing the evolution of credit to private-sector residents in the Spanish financial system as a whole per the latest published (February 2002) data of the Bank of Spain, compared with Banco Popular, indicates increases of 8.8% at banks and 15.9% at savings banks, while at the Banco Popular Group the increase was 16.6%. This advantage was maintained throughout the period analyzed with an average differential in Banco Popular's favor of 11.4 and 3.1 percentage points over banks and savings banks, respectively, and, consequently, with a significant gain in market share with respect to these two groups of entities.

Risk management

The Group's troubled risk balances at March 31 amounted to €275.5 million, an increase of €55.7 million (25.4%) in the last twelve months. During the first three months of 2002 €85.2 million of assets were transferred to this category, €38.6 million of transactions were favorably settled, and others of €27.1 million

Table 5. Risk management performance

(Amounts in € thousand)	March 31	March 31	Variation	
	2002	2001	Amount	%
<i>Nonperforming loans*:</i>				
Balance at January 1	256,035	208,603	47,432	22.7
Additions	85,203	53,948	31,255	57.9
Balances recovered	(38,609)	(29,107)	(9,502)	32.6
Net variation for the year	46,594	24,841	21,753	87.6
% increase	18.2	11.9		
Writeoffs	(27,148)	(13,681)	(13,467)	98.4
Balance at March 31	275,481	219,763	55,718	25.4
<i>Allowance for credit losses:</i>				
Balance at January 1	506,129	383,891	122,238	31.8
Annual provision:				
Gross	68,305	62,382	5,923	9.5
Recoveries	(8,973)	(8,466)	(507)	6.0
Net	59,332	53,916	5,416	10.0
Other variations	(213)	2,835	(3,048)	
Writeoffs	(26,789)	(13,681)	(13,108)	22.7
Balance at March 31	538,459	426,961	111,498	26.1
Foreclosed real estate assets	60,953	76,742	(15,789)	(20.6)
Allowance for potential losses on foreclosed assets	24,529	31,160	(6,631)	(21.3)
<i>Pro memoria:</i>				
Total risks	33,340,617	28,027,573	5,313,044	19.0
Loans transferred to suspense accounts	715,970	613,640	102,330	16.7
Nonperforming mortgage loans	11,823	13,081	(1,258)	(9.6)
<i>Risk quality measures (%):</i>				
Nonperformance (Nonperforming loans/Total risks)	0.83	0.78	0.05	
Insolvency (Writeoffs/Total risks)	0.08	0.05	0.03	
Coverage: (Credit loss allowance/Nonperforming loans)	195.46	194.28	1.18	
Coverage: (Allowance for potential losses on foreclosed assets/total foreclosed assets)	40.24	40.60	(0.36)	

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

were written off against credit loss allowances. The resulting net increase in nonperforming loans was €19.4 million in the three months to March 31, 7.6% over the balance at the beginning of the year.

The nonperforming loans ratio, i.e. nonperforming loans as a percentage of total risks, was 0.83% at March 31, as compared with 0.80% in December 2001 and 0.78% twelve months earlier. These figures again evidenced the high quality of the Group's assets, although the variation reflects a slight increase in credit risk, triggered by the slowdown of the economy after a long cycle of expansion.

Net provisions to credit loss allowances in the first quarter of 2002 amounted to €61.4 million, 14.1% more than in the same period of the preceding year. €33.9 million of the foregoing amount were specific provisions for troubled risks, €13.2 million were general provisions, €12.6 million were booked to the statistical credit loss allowance (SCLA), and €1.7 million were for the country-risk allowance. €7.7 million of loan balances previously written off as bad debts were also recovered.

The recorded credit loss allowances totaled €538.5 million at March 31, 26.1% higher than in March 2001, and 6.4% higher than at the beginning of the year, and signified a coverage ratio of the nonperforming loans balance at March end of 195.5%, as compared with 194.3% a year earlier and 197.7% at December 31, 2001.

In addition to the foregoing provisions, and in conformity with the Group's customary policy of prudence in risk management, €17.1 million of provisions were booked to other allowances, in substantially all cases on the basis of internal criteria rather than regulatory requirements, thus strengthening still further the balance sheet soundness.

Foreclosed assets, substantially all buildings, amounted to €61.0 million, 20.6% lower than in March 2001, as a result of an active policy of divestment of these non-earning assets. To cover possible losses on disposals, there was a specific allowance of €24.5 million at March 31, representing 40.2% of their book value.

Tables 5 and 6 detail the evolution of nonperforming loans and credit losses allowances since March 2001, 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.

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

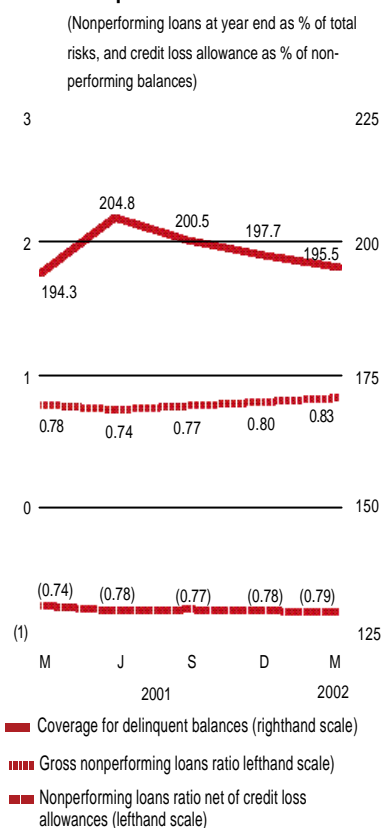


Table 6. Allowance for nonperforming loans

(Amounts in € thousand)

	March 31, 2002		March 31, 2001	
	Balance	Total Provisioning	Balance	Total Provisioning
Doubtful balances with specific allowances:	243,807	116,454	197,781	114,159
Ordinary	230,518	110,112	183,884	106,509
Secured by prime collateral	4,862	1,661	7,004	3,649
Off-balance sheet risks	8,427	4,681	6,893	4,001
Doubtful balances with generic allowances	29,212	258	20,275	172
Doubtful balances for which allowances are not required	2,462		1,707	
Total nonperforming loans	275,481	116,712	219,763	114,331
Other specific provisioning	16,095	1,183	17,173	1,631
Allowances for ordinary risks	32,782,839	299,463	27,576,210	252,476
General provisioning (1%)	27,118,721	271,142	22,919,264	229,192
Reduced provisioning (0.5%)	5,664,118	28,321	4,656,948	23,284
Statistical allowance		109,913		50,625
Total required provisions		527,271		419,063
Balance of credit loss allowances		538,459		426,961
Surplus		11,188		7,898

Earnings and profitability

Income statement

Table 7 is the consolidated income statement at March 31, 2002, compared with that at the same date in 2001.

The pretax income of €261.6 million was 24.7% higher year on year. The corporate income tax charge of €95.6 million, compared with €60.6 million in the first quarter of the previous year, was significantly (57.7%) higher due to the tax effect in 2001 of the externalization of the Group banks' pension funds.

The net income for the first quarter of 2002 amounted to €166.0 million, 11.2% higher than in the first quarter of 2001; after deduction of minority interests, the income attributable to Banco Popular shareholders was €152.4 million, 11.3 %

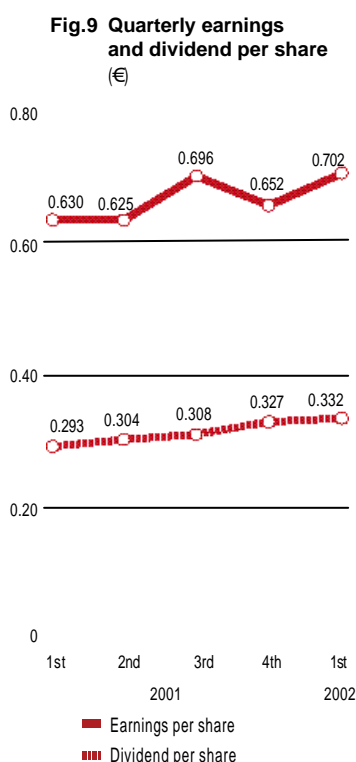
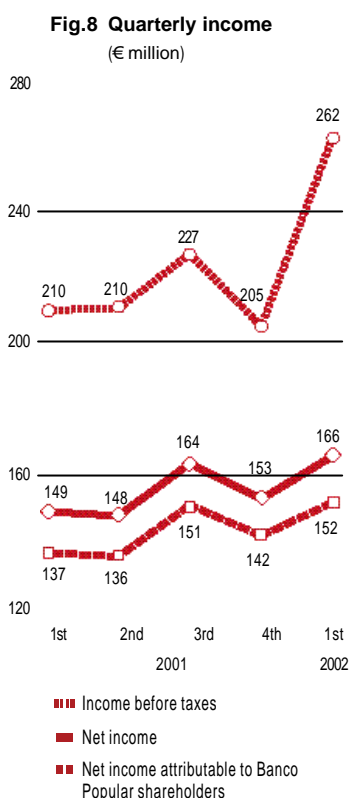


Table 7. Consolidated statements of income

(Amounts in € thousand)	March 31 2002	March 31 2001	% increase (decrease)
Interest and similar revenues	571,034	549,398	3.9
- Interest and similar charges:	185,887	225,956	(17.7)
<i>On liabilities</i>	185,887	220,587	(15.7)
<i>Allocable to pension allowance</i>	-	5,369	(100.0)
+ Revenues from equity securities	11,854	5,810	>
= Net interest revenue	397,001	329,252	20.6
+ Fees for services, net:	138,430	144,093	(3.9)
<i>Loan-related fees</i>	18,264	18,907	(3.4)
<i>Fees for guarantees, other sureties and documentary credits</i>	12,924	11,493	12.5
<i>Fees for other banking services</i>	107,242	113,693	(5.7)
= Basic banking revenue	535,431	473,345	13.1
+ Asset trading and exchange profits, net	10,403	13,076	(20.4)
<i>Financial asset trading income</i>	2,164	2,625	(17.6)
<i>Writedowns of securities portfolio and derivatives</i>	(1,454)	2,005	
<i>Exchange, translation and dealing gains</i>	9,693	8,446	14.8
= Ordinary revenue	545,834	486,421	12.2
- Operating costs:	192,754	183,200	5.2
<i>Personnel expenses</i>	136,584	132,819	2.8
<i>General expenses</i>	48,329	42,952	12.5
<i>Taxes other than income tax</i>	7,841	7,429	5.5
- Depreciation	16,893	16,851	0.2
+ Other operating income	595	392	51.8
- Other operating expenses:	9,039	10,484	(13.8)
<i>Contribution to guarantee funds</i>	3,106	4,346	(28.5)
<i>Directors' fees and other mandated appropriations</i>	5,750	5,741	0.2
<i>Other</i>	183	397	(53.9)
= Operating income	327,743	276,278	18.6
+ Share in equity method investees' income, net	(3,263)	(2,960)	10.2
- Amortization of goodwill in consolidation	2,185	1,408	55.2
+ Gains (Losses) on group transactions, net	560	1,979	(71.7)
- Writeoffs and provisions for credit losses:	53,670	47,419	13.2
<i>Provision to allowance for credit losses</i>	61,419	53,838	14.1
<i>Recovery of bad debts written off</i>	(7,749)	(6,419)	20.7
± Extraordinary gains (losses), net:	(7,600)	(16,619)	(54.3)
<i>Gain on disposal of fixed assets</i>	12,735	4,835	>
<i>Recovery of pension allowance</i>	-	14	(100.0)
<i>Extraordinary provision to allowance for pensions</i>	(1,863)	(1,676)	11.2
<i>Provision to allowances for other purposes</i>	(17,256)	(16,725)	3.2
<i>Other</i>	(1,216)	(3,067)	(60.4)
= Income before taxes	261,585	209,851	24.7
- Corporate income tax provision	95,593	60,618	57.7
= Net income	165,992	149,233	11.2
- Minority interests	13,593	12,355	10.0
= Net income attributable to Popular shareholders	152,399	136,878	11.3

up on the same period of 2001, and represented €0.702 per share in the quarter, an interannual growth rate of 11.3%.

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 €397.0 million in the quarter was 20.6% higher than in the same period of 2001; after deduction of the dividends collected in the quarter the growth rate was 19.1%. This strong growth was driven by the substantial increase in the balance sheet aggregates, particularly loans and discounts, supported by sound asset and fund pricing management, and is particularly noteworthy considering that it was achieved in a context of a widespread decline in interest rates.

Analysis of the variations in net interest revenue disclose that 82% of the increase in the quarter was attributable to the volume factor, and that the remaining 18% was due to variations in interest rates, thus confirming the close relationship between balance sheet growth and profitability.

Service fee revenues at €138.4 million in the quarter were down by 3.9% year on year. By caption, there was a considerable decline in customer financial asset management fees (especially securities, portfolios and mutual funds) due to the negative performance of the securities markets, and in other headings, which included certain investment banking transactions in the first quarter of 2001 when, in addition, certain fee rates were revised upwards to levels which have remained stable since then. The detail of service fee revenues since March 2001 is shown in Table 8 and Figure 10.

(Amounts in € thousand)	March 31 2002	March 31 2001	% variation
Loan-related fees:	18,264	18,907	(3.4)
<i>Bill discounting</i>	10,258	11,676	(12.1)
<i>Other</i>	8,006	7,231	10.7
Provision of guarantees and other sureties	12,924	11,493	12.5
Operating services:	107,242	113,693	(5.7)
Collection and payment handling :	56,695	53,074	6.8
<i>Note collection</i>	15,430	14,477	6.6
<i>Checks</i>	5,475	5,543	(1.2)
<i>Direct debit transactions</i>	3,995	3,716	7.5
<i>Payment systems</i>	21,461	19,881	7.9
<i>Fund transfers</i>	10,334	9,457	9.3
Foreign currency purchase and sale transactions ..	874	1,615	(45.9)
Customer financial asset management:	38,651	44,884	(13.9)
<i>Securities portfolio</i>	3,836	9,107	(57.9)
<i>Mutual funds</i>	22,698	24,091	(5.8)
<i>Pension plans</i>	12,117	11,686	3.7
Administration of demand deposits	10,911	9,435	15.6
Other	111	4,685	(97.6)
Total	138,430	144,093	(3.9)

The financial asset trading income of €10.4 million was 20.4% lower year on year, due to the lower volume of trading and the writedown of securities portfolios as a result of the decline in prices.

Ordinary revenue, the aggregate of the three foregoing captions, amounted to €545.8 million in the quarter, up 12.2% on the same period of the previous year.

Fig.10 Service revenues
(€ million)

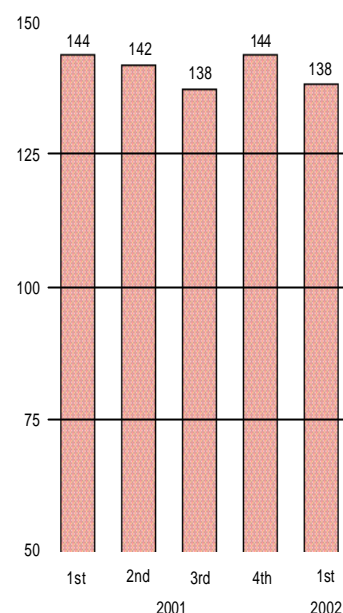


Fig.11 Quarterly revenues
(€ million)

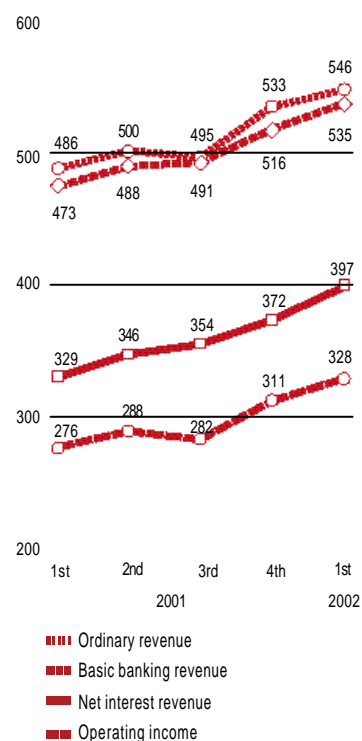


Fig.12 Net interest margin
(As % of average total assets)

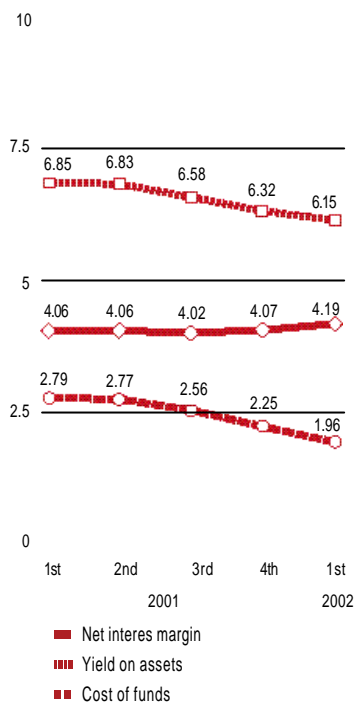
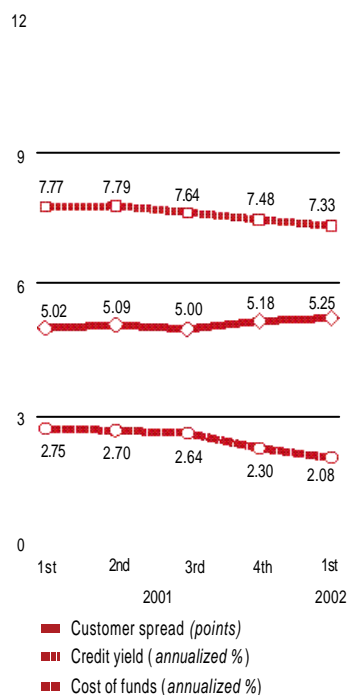


Fig.13 Quarterly customer spread



Operating costs in the first quarter amounted to €192.8 million, a moderate increase of 5.2% year on year, which is nevertheless more significant considering the substantial growth of the business and the development of new activities. By caption, personnel costs, the main item, were up by 2.8%, general expenses by 12.5% (including a 22.4% rise in IT expenses), and taxes (excluding corporate income tax) by 5.5%.

Operating income amounted to €327.7 million in the quarter, up 18.6% year on year. This rate, compared with the 13.2% growth in the balance sheet total in the same period, is an accurate synthesis of the Group's policy based on profitable growth of the business.

Table 9. Quarterly income and profitability

(Amounts in € thousand)	2001				2002
	1st	2nd	3rd	4th	1st
Interest and similar revenues	555,208	581,919	578,885	578,107	582,888
– Interest and similar charges	225,956	235,611	225,300	205,711	185,887
= Net interest revenue	329,252	346,308	353,585	372,396	397,001
+ Fees for services, net	144,093	141,926	137,569	143,759	138,430
+ Asset trading & exchange profits, net	13,076	12,004	3,450	16,454	10,403
= Ordinary revenue	486,421	500,238	494,604	532,609	545,834
– Operating costs:	183,200	185,545	186,081	194,382	192,754
<i>Personnel expenses</i>	132,819	133,360	135,501	136,986	136,584
<i>Other expenses</i>	50,381	52,185	50,580	57,396	56,170
– Depreciation	16,851	17,021	16,974	17,357	16,893
± Other operating income/expenses, net	(10,092)	(10,070)	(9,810)	(9,906)	(8,444)
= Operating income	276,278	287,602	281,739	310,964	327,743
± Other items, net	787	6,021	2,426	4,344	8,816
– Provisions and writedowns	67,214	83,251	57,376	110,126	74,974
= Income before taxes	209,851	210,372	226,789	205,182	261,585
– Corporate income tax provision	60,618	62,435	63,013	51,964	95,593
= Net income	149,233	147,937	163,776	153,218	165,992
– Minority interests	12,355	12,211	12,638	11,678	13,593
= Net income attributable	136,878	135,726	151,138	141,540	152,399
Pro memoria (€ million):					
Average total assets	32,427	34,060	35,167	36,626	37,910
Average total risk-weighted assets (RWA)	26,005	27,650	28,860	29,747	30,794

(As annualized % of average total assets)

	2001					2002
	1st	2nd	3rd	4th	1st	
Yield on assets	6.85	6.83	6.58	6.32	6.15	
– Cost of funds	2.79	2.77	2.56	2.25	1.96	
= Net interest margin	4.06	4.06	4.02	4.07	4.19	
+ Yield on services, net	1.78	1.67	1.56	1.57	1.46	
+ Yield on fin. assets trading & exch. profits	0.16	0.14	0.04	0.18	0.11	
= Ordinary margin	6.00	5.87	5.62	5.82	5.76	
– Operating costs:	2.26	2.18	2.12	2.12	2.03	
<i>Personnel costs</i>	1.64	1.57	1.54	1.49	1.44	
<i>Other expenses</i>	0.62	0.61	0.58	0.63	0.59	
– Depreciation	0.21	0.20	0.19	0.19	0.18	
± Other operating income/expenses, net	(0.12)	(0.11)	(0.11)	(0.11)	(0.09)	
= Operating profitability	3.41	3.38	3.20	3.40	3.46	
± Other items, net	0.01	0.07	0.03	0.05	0.09	
– Provisions and writedowns	0.83	0.98	0.65	1.21	0.79	
= Pre-tax income return	2.59	2.47	2.58	2.24	2.76	
– Corporate income tax	0.75	0.73	0.72	0.57	1.01	
= Net income return (ROA)	1.84	1.74	1.86	1.67	1.75	
Pro memoria:						
Net return on average risk-weighted assets (RORWA)	2.30	2.14	2.27	2.06	2.16	
Net return on average equity (ROE)	26.76	26.55	29.56	27.70	26.56	
Leverage	14.5 x	15.3 x	15.9 x	16.6 x	15.2 x	
Operating efficiency	37.66	37.09	37.62	36.50	35.31	

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

Net provisions to credit loss allowances amounted to €61.4 million, 14.1% higher year on year; the detail is provided in the risk management section of this Report. €7.7 million of risks written off as bad debts against credit loss allowances were also recovered.

The Group also booked €17.1 million of provisions for other purposes, substantially all of a precautionary nature and not regulatorily required, thus further strengthening its balance sheet soundness.

The total provisions and writedowns charged to income in the quarter, comprising those mentioned above and other minor amounts, amounted to €75.0 million, up 11.5% on the same period of 2001. These figures illustrate the Group's ongoing application of criteria of prudence.

Finally, noteworthy in the lower part of the income statement is the gain of €12.7 million on disposal of non-operating assets.

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

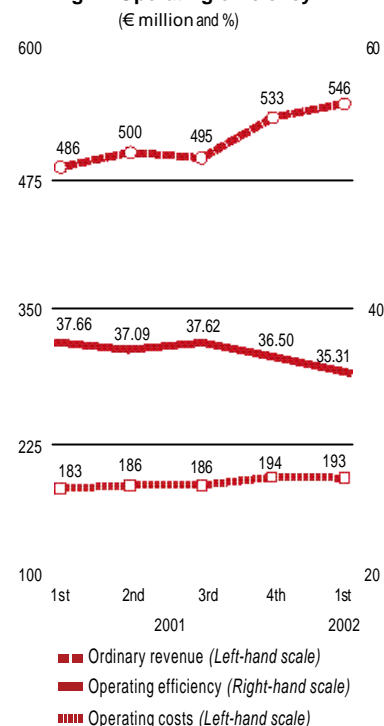


Table 10. Yields and costs

(Amounts in € thousand and rates annualized)	March 31, 2002				March 31, 2001			
	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 ...	349,246	0.92	3,658	4.19	228,196	0.70	2,405	4.22
Financial system:	5,805,538	15.31	43,836	3.02	5,971,060	18.41	72,941	4.89
In euros	3,583,857	9.45	29,889	3.34	4,070,554	12.55	43,484	4.27
In foreign currencies	2,221,681	5.86	13,947	2.51	1,900,506	5.86	29,457	6.20
Loans and discounts (a):	28,254,955	74.53	517,550	7.33	23,905,276	73.72	464,450	7.77
In euros	27,809,280	73.36	514,401	7.40	23,625,417	72.86	459,848	7.79
In foreign currencies	445,675	1.17	3,149	2.83	279,859	0.86	4,602	6.58
Securities portfolio:	1,224,491	3.23	17,844	5.83	872,193	2.69	15,412	7.07
Government debt securities	148,381	0.39	1,736	4.68	106,601	0.33	1,368	5.13
Other fixed-interest securities	497,364	1.31	4,254	3.42	640,080	1.97	8,234	5.15
Equity securities	578,746	1.53	11,854	8.19	125,512	0.39	5,810	18.52
Total earning assets (b)	35,634,230	93.99	582,888	6.54	30,976,725	95.52	555,208	7.17
Other assets	2,275,536	6.01	—	—	1,450,455	4.48	—	—
Total assets	37,909,766	100.00	582,888	6.15	32,427,180	100.00	555,208	6.85
Financial system:	6,852,947	18.08	51,330	3.00	5,038,841	15.54	64,125	5.09
In euros	4,766,779	12.57	40,664	3.41	3,577,560	11.03	43,478	4.86
In foreign currencies	2,086,168	5.51	10,666	2.05	1,461,281	4.51	20,647	5.65
Customer funds (c):	25,838,629	68.16	134,557	2.08	22,779,143	70.25	156,462	2.75
Customer accounts:	22,503,852	59.36	106,158	1.89	20,675,914	63.76	130,128	2.52
In euros:	21,610,316	57.00	102,604	1.90	19,817,038	61.11	120,447	2.43
Demand and savings deposits	11,386,344	30.04	20,248	0.71	10,416,178	32.12	23,690	0.91
Time deposits	8,890,872	23.44	69,800	3.14	7,592,277	23.42	75,286	3.97
Assets sold under repurchase agreements	1,331,091	3.51	12,556	3.77	1,807,231	5.57	21,471	4.75
Other	2,009	0.01	—	—	1,352	—	—	—
In foreign currencies	893,536	2.36	3,554	1.59	858,876	2.65	9,681	4.51
Bonds and other marketable debt securities ...	3,334,777	8.80	28,399	3.41	2,103,229	6.49	26,334	5.01
Pension allowance	—	—	—	—	402,998	1.24	5,369	5.33
Total interest-bearing liabilities (d)	32,691,576	86.24	185,887	2.27	28,220,982	87.03	225,956	3.20
Other non-interest-bearing liabilities	2,922,612	7.70	—	—	2,159,950	6.66	—	—
Capital accounts	2,295,578	6.06	—	—	2,046,248	6.31	—	—
Total liabilities and capital	37,909,766	100.00	185,887	1.96	32,427,180	100.00	225,956	2.79
Customer spread (a-c)				5.25				5.02
Spread (b-d)				4.27				3.97

Table 11. Quarterly yields and costs

(Data in % and rates annualized)

	2001										2002	
	1st		2nd		3rd		4th		1st			
	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate	Distrib ution	Rate		
Treasury bills and Bank of Spain certificates of deposit	0.70	4.22	0.94	4.80	1.16	4.59	1.15	4.23	0.92	4.19		
Financial system	18.41	4.89	17.17	4.98	15.61	4.09	16.47	3.57	15.31	3.02		
Loans and discounts (a)	73.72	7.77	74.49	7.79	75.60	7.64	74.63	7.48	74.53	7.33		
Securities portfolio	2.69	7.07	2.46	5.19	2.75	4.20	2.57	3.74	3.23	5.83		
<i>Total earning assets (b)</i>	<i>95.52</i>	<i>7.17</i>	<i>95.06</i>	<i>7.19</i>	<i>95.12</i>	<i>6.92</i>	<i>94.82</i>	<i>6.66</i>	<i>93.99</i>	<i>6.54</i>		
Other assets	4.48	—	4.94	—	4.88	—	5.18	—	6.01	—		
Total assets	100.00	6.85	100.00	6.83	100.00	6.58	100.00	6.32	100.00	6.15		
Financial system	15.54	5.09	17.26	4.75	17.32	4.00	19.16	3.49	18.08	3.00		
Customer funds (c)	70.25	2.75	69.80	2.70	68.31	2.64	67.33	2.30	68.16	2.08		
Pension allowance	1.24	5.33	1.22	5.38	1.23	5.45	0.50	5.43	—	—		
<i>Total interest-bearing liabilities (d)</i>	<i>87.03</i>	<i>3.20</i>	<i>88.28</i>	<i>3.13</i>	<i>86.86</i>	<i>2.95</i>	<i>86.99</i>	<i>2.58</i>	<i>86.24</i>	<i>2.27</i>		
Other non-interest-bearing liabilities	6.66	—	5.72	—	7.32	—	7.43	—	7.70	—		
Capital accounts	6.31	—	6.00	—	5.82	—	5.58	—	6.06	—		
Total liabilities and capital	100.00	2.79	100.00	2.77	100.00	2.56	100.00	2.25	100.00	1.96		
<i>Customer spread (a-c)</i>	<i>5.02</i>		<i>5.09</i>		<i>5.00</i>		<i>5.18</i>		<i>5.25</i>			
<i>Spread (b-d)</i>	<i>3.97</i>		<i>4.06</i>		<i>3.97</i>		<i>4.08</i>		<i>4.27</i>			

Yields and costs

Table 10 shows the average balances of assets and funds in the first three months of 2002 and 2001 and the related interest revenues and expenses, and the resulting annualized average rates of yield and cost for each asset and liability. Similar data for the last five quarters are presented in Table 11.

The yield on loans and discounts was 7.33% in the quarter, 44 basis points less than in the same period of 2001, whereas the average cost of customer funds was 2.08%, a decrease of 67 basis points, and the customer spread (i.e. the difference between these two rates) therefore improved by 23 basis points, from 5.02% to 5.25%.

The spread, the differential between the rate of yield on earning assets and the cost of interest-bearing liabilities, also increased to 4.27%, 30 basis points higher than in the first quarter of 2001.

The net interest margin on average total assets improved by 13 basis points year on year to 4.19%, due to the fact that the cost of funds fell more (-83 basis points) than the yield on assets (-70 basis points).

The foregoing figures were the outcome of sound asset and fund pricing management and of balance sheet aggregates, and evidence the Group's ability to grow profitably even in a period characterized by a significant fall in interest rates.

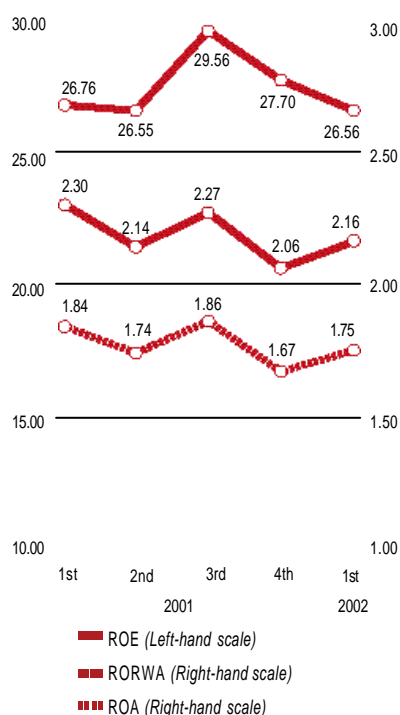
Figures 12 and 13 show the variations in the last five quarters in the rates of yield and cost and of the margins.

Profitability

The annualized ROE was 26.56% in the first quarter of 2002, which was virtually the same as in the same period of the previous year (26.76%).

The ROA was 1.75% in the first quarter, compared with 1.84% twelve months earlier. The return on average risk-weighted total assets (RORWA) was 2.16% and 2.30%, respectively, in those periods.

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



Analysis, by component, of the operating income in the quarter (Table 9) discloses an improvement of 5 basis points compared with the same period of 2001, due to the rise in the net interest margin and to the containment of operating costs, which contributed 13 and 23 basis points, respectively, whereas service fee revenues and other items led to a decrease of 32 and an increase of 1 basis points, respectively.

The operating efficiency ratio, i.e. the portion of total revenues absorbed by operating costs, again evolved favorably and was 35.3% in the quarter, an improvement of 2.4 percentage points in the last twelve months. Figure 14 plots the variation in this indicator in the last five quarters.

The balance sheet leverage, i.e. the ratio of total funds to total equity, was 15.2 times in the quarter, compared with 14.5 times in the first quarter of 2001.

Figure 15 plots the variation in ROA, RORWA and ROE in the last five quarters.

Market performance of Banco Popular shares

The Bank's share price closed at €43.20 at the end of the first quarter, 15.7% higher than the matching figure of €37.35 twelve months earlier. This variation can be described as very favorable, the share price having outperformed the market in the last twelve months, and particularly in the first three months of 2002 (17.1%). The Madrid Stock Exchange general index was down by 11.4% in the last twelve months, the IBEX-35 by 7.4% and the financial sector IBEX (including Banco Popular) by 6.2%.

The market return on Banco Popular shares - the rise (or fall) in the share price plus dividend payments - in the last twelve months was 19.1% and in the first three months was 18.0%.

The P/E ratio of Banco Popular shares at the end of the first quarter of 2002 was 15.4 times the annualized income for the period.

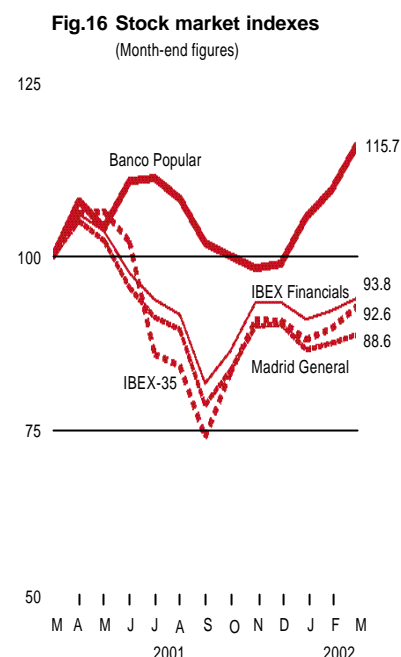


Table 12. Quarterly bank share performance*

Quarters	Share liquidity (Number in thousands)			Share market price (€)			Dividend paid (€)	Market return**
	Average shares outstanding	Shares traded	%	High	Low	Closing		
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	20.02	42.50	30.65	38.00	0.308	(7.2)
4th	217,154	73,824	34.00	40.47	35.50	36.88	0.327	(2.1)
Year total	217,154	208,163	95.86	42.50	30.65	36.88	1.232	2.7
2002 1st	217,154	70,946	32.67	43.20	36.01	43.20	0.332	18.0

* Figures adjusted for 2x1 share split on February 2000

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

71 million shares representing 32.7% of the total stock outstanding were traded in the first three months of 2002, at an average price of €39.71 per share.

On March 31, 2002, the Bank did not own, either directly or indirectly through any subsidiary, whether consolidable or not, any of its own shares. In the first three months of the year it intervened as a buyer in transactions involving 422,848 shares (0.19% of the capital stock), and as a seller in the same number. The maximum treasury stock held in the first quarter was 199,616 shares, 0.09% of the capital stock.

For details of variations in price, dividends, market return and liquidity in the last five quarters, see Table 12. On an index basis with March 31, 2001 = 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.

Madrid, April 2002



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