# Financial Report
# Third Quarter 2002

The evolution of the Banco Popular Group in the first nine months of 2002 again demonstrated the results of its strategy of growth with profitability, which has now become a benchmark of reference in the Spanish financial system.

The Group continued to focus on the expansion of its business, with special emphasis on retail commercial banking in which it has amply proven experience. Its commercial strategy centers on customer relationships by applying an approach of product cross-selling and the use of multiple distribution channels. The outcome of this policy is that the Group continues to increase its market share in the segments in which it operates.

In parallel with expansion of the business, the Group keeps faith with its criteria of solvency, efficiency and profitability, aspects of particular relevance in the current environment of lower economic growth, firmly convinced that the objective of becoming bigger is inseparable from that of also being stronger.

The Group's commercial action continued to advance at a satisfactory pace. The customer base has increased by 332,000 since the beginning of the year to the present total of 4.6 million customers, that are serviced through a network of 2,171 branch offices in Spain, Portugal and France and an Internet distribution channel (bank on line) used by 819,000 customers, an increase of 55.3% in the first nine months of 2002.

At September 30, 2002, the Group's consolidated balance sheet totaled €40,456 million, up by €4,412 million (12.2% year on year). Growth in loans and discounts in the period was 21.0% and total on-balance sheet customer funds increased by 21.5%.

Consolidated net income for the first nine months amounted to €515 million and the income attributable to the parent company was €473 million, with interannual increases of 11.7% and 11.6%, respectively. The earnings per share in the first nine months of €2.18 were 11.6% up on the same period of 2001; the figure for the third quarter was €0.78, a year-on-year increase of 11.9%. The ROE (annualized) for the first nine months of 2002 was 27.35% and 29.49% in the third quarter, compared with 27.63% and 29.56%, respectively, for the same periods of 2001.

The net interest revenue in the nine months to September of €1,195 million was 16.1% higher year on year. The service fee revenues of €427 million were 0.7% higher than in the same period of the previous year. The total banking business revenues (ordinary revenue) amounted to €1,638 million in the first nine months, up 10.6% year on year.

Operating costs in the first nine months amounted to €582 million, an increase of 4.9% year on year (2.8% in personnel costs and 10.4% in general expenses). The efficiency ratio, i.e. the portion of ordinary revenue absorbed by operating costs, improved by 2 percentage points year on year to 35.5% in the first nine months.

The operating income from the Group's business amounted to €980 million, an increase of 15.9% over the first nine months of 2001, due mainly to the good performance of the financial margin and the moderation of operating costs. This strong growth rate in earnings demonstrates that the substantial expansion of business volume marches in parallel with its profitability.

As regards risk management, the nonperforming loans ratio (nonperforming loans as a percentage of total risk) was 12 basis points higher than in September 2001 at 0.89% and 9 basis points higher than at the beginning of the year. These figures reflect the economic slowdown that started in the second half of 2001 after a lengthy expansive cycle in which the nonperforming loans ratio bottomed at a record low of 0.74% (June 2001).

The credit loss allowances totaled €643 million which signified a coverage ratio of 192.0%, compared with 200.5% in September 2001 and 197.7% at the end of 2001. The Group allocated €188 million of net provisions to the credit loss allowance in the first nine months, a year-on-year increase of 17.8%, and booked €20 million of precautionary provisions. Additionally, €38 million were used to book early amortization of goodwill, as explained later.

The foregoing numbers evidence the Group's firm policy to strengthen its balance-sheet soundness, particularly in the face of a less favorable economic outlook in which signs of recovery cannot yet be perceived.

## Highlights

(Amounts in € thousand )

| | September 30 2002 | September 30 2001 | Variation Amount | Variation % |
|---|---|---|---|---|
| **Business volume** | | | | |
| Total assets managed | 50,109,513 | 44,665,292 | 5,444,221 | 12.2 |
| On-balance sheet total assets | 40,455,780 | 36,043,906 | 4,411,874 | 12.2 |
| Total equity | 2,309,399 | 2,044,998 | 264,401 | 12.9 |
| Customer funds: | 39,375,373 | 33,091,692 | 6,283,681 | 19.0 |
| On-balance sheet funds | 29,721,640 | 24,470,306 | 5,251,334 | 21.5 |
| Other intermediated funds | 9,653,733 | 8,621,386 | 1,032,347 | 12.0 |
| Loans and discounts | 32,513,023 | 26,871,589 | 5,641,434 | 21.0 |
| Off-balance sheet risks | 4,976,901 | 3,642,072 | 1,334,829 | 36.7 |
| **Solvency** | | | | |
| BIS *ratio* (%) | 10.78 | 10.95 | (0.17) | |
| Of which: Tier 1 (%) | 8.64 | 8.81 | (0.17) | |
| **Risk management** | | | | |
| Total risks | 37,488,898 | 30,513,221 | 6,975,677 | 22.9 |
| Nonperforming loans | 334,936 | 234,855 | 100,081 | 42.6 |
| Allowances for credit losses | 643,013 | 470,905 | 172,108 | 36.5 |
| % nonperforming ratio | 0.89 | 0.77 | 0.12 | |
| % coverage (Credit loss allowance/Nonperforming loans) | 191.98 | 200.51 | (8.53) | |
| **Income statements** | | | | |
| Net interest revenue | 1,195,039 | 1,029,145 | 165,894 | 16.1 |
| Basic banking revenue | 1,621,659 | 1,452,733 | 168,926 | 11.6 |
| Ordinary revenue | 1,637,992 | 1,481,263 | 156,729 | 10.6 |
| Operating income | 979,864 | 845,619 | 134,245 | 15.9 |
| Income before taxes | 794,074 | 647,012 | 147,062 | 22.7 |
| Net income | 514,826 | 460,946 | 53,880 | 11.7 |
| Net income attributable to Banco Popular Shareholders | 472,870 | 423,742 | 49,128 | 11.6 |
| **Net return and efficiency ratios (%)** | | | | |
| Net income: | | | | |
| Over average total assets (€39,290.4 million): ROA | 1.75 | 1.81 | (0.06) | |
| Over average risk-weighted total assets (€32,872.8 million): RORWA | 2.09 | 2.24 | (0.15) | |
| Net income attributable: | | | | |
| Over average equity (€2,305.1 million): ROE | 27.35 | 27.63 | (0.28) | |
| Operating efficiency | 35.52 | 37.46 | (1.94) | |
| **Shares** | | | | |
| Shares outstanding (thousands) | 217,154 | 217,154 | - | - |
| Share closing market price (€) | 38.98 | 38.00 | 0.98 | 2.6 |
| Share book value (€) | 10.63 | 9.42 | 1.21 | 12.9 |
| Net income per share (€) | 2.178 | 1.951 | 0.227 | 11.6 |
| Dividend per share (€) | 1.033 | 0.905 | 0.128 | 14.1 |
| Price/Book value | 3.67 | 4.03 | (0.36) | |
| Price/Earnings (annualized) | 13.4 | 14.6 | (1.2) | |
| **Other data** | | | | |
| Shareholders | 71,332 | 73,374 | (2,042) | (2.8) |
| Employees | 12,570 | 12,265 | 305 | 2.5 |
| Spain | 12,372 | 12,084 | 288 | 2.4 |
| Abroad | 198 | 181 | 17 | 9.4 |
| Branches | 2,171 | 2,130 | 41 | 1.9 |
| Spain | 2,144 | 2,105 | 39 | 1.9 |
| Abroad | 27 | 25 | 2 | 8.0 |
| ATMs | 3,442 | 3,192 | 250 | 7.8 |

# QUARTER-END FINANCIAL REPORT*

## Assets and funds

Table 1 presents the consolidated balance sheets at September 30, 2002, December 31, 2001, and September 30, 2001, with the customary level of detail.

### Total assets

The total on-balance sheet assets amounted to €40,456 million at September 30, 2002, an increase of 12.2% over the same date in 2001, and of 8.2% since the beginning of the year.

The Group also manages other financial assets through off-balance sheet instruments which at September 30 totaled €9,654 million, up 12.0% year on year, which, when aggregated to the above-mentioned figure, signified a total business volume for the Group of €50,110 million at quarter-end, an increase of 12.2% year on year and of 6.4% in the first nine months.

In September 2002 the Group raised its stake in the capital of Fortior Holding from the 25% acquired in March 2001 to 60%. This company is the parent entity of a group specializing in asset management that includes a private banking arm and mutual and pension fund management entities; the assets managed by it total €790 million.

As a result, these companies which hitherto were consolidated with the Group by the proportional integration method at 25% were consolidated by the global integration method in September 2002. The effect on total business volume at September 30 was €581 million, of which €547 million were off-balance sheet intermediated assets.

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

### Shareholders' equity

The Group's consolidated equity amounted to €2,309 million at September 30, 2002, an interannual increase of 12.9%, signifying a book value per share of €10.63, up 12.9% in the last twelve months.

The computable capital per Bank of Spain regulations amounted to €3,044 million, and exceeded the minimum requirement by €239 million, with a solvency ratio of 8.68% as compared with the required minimum of 8%.

Under the BIS solvency rules, which are those used at international level, the Group's computable capital amounted to €3,787 million, with a cushion of €976 million, and the BIS solvency ratio was 10.78%, of which 8.64% related to Tier 1 core capital.

Table 2 and Figure 2 show the variation in the computable capital since September 2001, the required minimum amounts and the solvency measurements under both sets of rules.

* *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)

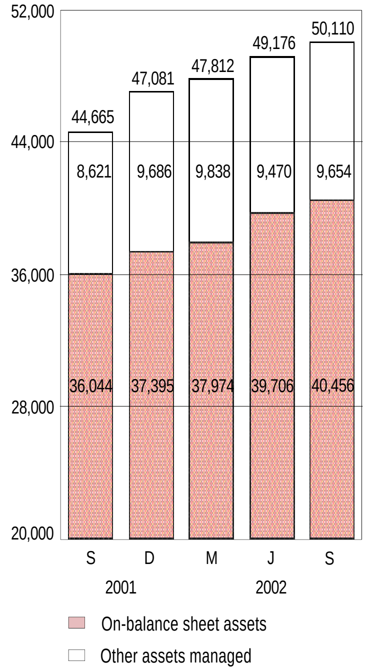



**Fig.2 Solvency**
(€ million and %)

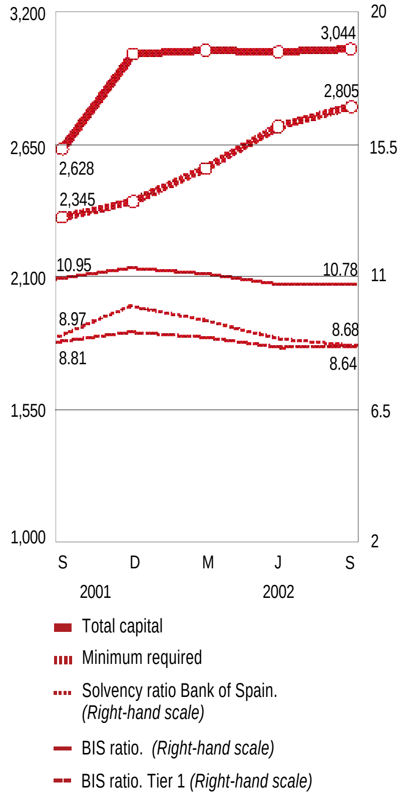


**Table 1. Consolidated Balance Sheets**

(Amounts in € thousand )

| | September 30 2002 | December 31 2001 | September 30 2001 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and due from central banks | 951,077 | 1,887,105 | 604,825 | (49.6) | 57.2 |
| Government debt securities: | 86,574 | 623,813 | 693,416 | (86.1) | (87.5) |
| *Government debt securities, gross* | *86,612* | *623,854* | *693,434* | *(86.1)* | *(87.5)* |
| *Less: Allowance for security price fluctuations* | *(38)* | *(41)* | *(18)* | *(7.3)* | *>* |
| Due from financial intermediaries: | 4,710,426 | 4,968,925 | 5,844,348 | (5.2) | (19.4) |
| *Due from financial intermediaries, gross* | *4,713,603* | *4,969,166* | *5,844,484* | *(5.1)* | *(19.3)* |
| *Less: Allowance for doubtful balances and country risk* | *(3,177)* | *(241)* | *(136)* | *>* | *>* |
| Loans and discounts: | 31,937,172 | 27,368,371 | 26,447,519 | 16.7 | 20.8 |
| *Loans and discounts:* | *32,513,023* | *27,820,010* | *26,871,589* | *16.9* | *21.0* |
| *To public bodies* | *31,939* | *30,429* | *37,632* | *5.0* | *(15.1)* |
| *To other residents* | *31,092,644* | *26,652,900* | *25,810,763* | *16.7* | *20.5* |
| *To nonresidents* | *1,063,195* | *888,822* | *796,527* | *19.6* | *33.5* |
| *Nonperforming loans* | *325,245* | *247,859* | *226,667* | *31.2* | *43.5* |
| *Less: Allowance for credit losses* | *(575,851)* | *(451,639)* | *(424,070)* | *27.5* | *35.8* |
| Private fixed-interest securities: | 533,064 | 495,348 | 561,527 | 7.6 | (5.1) |
| *Private fixed-interest securities, gross* | *535,918* | *497,702* | *564,692* | *7.7* | *(5.1)* |
| *Less: Allowance for security price fluctuations* | *(2,854)* | *(2,354)* | *(3,165)* | *21.2* | *(9.8)* |
| Equity securities: | 233,546 | 122,590 | 114,143 | 90.5 | > |
| *Equity securities, gross* | *246,228* | *129,629* | *126,305* | *89.9* | *94.9* |
| *Less: Allowance for security price fluctuations* | *(12,682)* | *(7,039)* | *(12,162)* | *80.2* | *4.3* |
| Participating interests | 26,392 | 23,241 | 22,849 | 13.6 | 15.5 |
| Shares of group companies | 31,338 | 33,282 | 31,367 | (5.8) | (0.1) |
| Intangible assets | 17,801 | 20,791 | 20,514 | (14.4) | (13.2) |
| Goodwill in consolidation | 26,627 | 33,613 | 35,964 | (20.8) | (26.0) |
| Tangible assets: | 573,006 | 580,594 | 576,450 | (1.3) | (0.6) |
| *Premises and equipment* | *598,576* | *606,842* | *602,909* | *(1.4)* | *(0.7)* |
| *Less: Allowance for potential losses on foreclosed assets and other* | *(25,570)* | *(26,248)* | *(26,459)* | *(2.6)* | *(3.4)* |
| Prepayments and accrued income | 307,664 | 299,970 | 360,620 | 2.6 | (14.7) |
| Other asset accounts | 1,011,700 | 934,273 | 726,691 | 8.3 | 39.2 |
| Losses at consolidated companies | 9,393 | 3,643 | 3,673 | > | > |
| **Total** | **40,455,780** | **37,395,559** | **36,043,906** | **8.2** | **12.2** |
| **Liabilities and Capital** | | | | | |
| Due to financial intermediaries | 5,767,951 | 6,925,077 | 6,833,910 | (16.7) | (15.6) |
| Customer deposits: | 24,009,393 | 22,615,236 | 21,860,759 | 6.2 | 9.8 |
| *From public bodies* | *363,726* | *311,132* | *321,161* | *16.9* | *13.3* |
| *From other residents* | *20,732,306* | *19,458,265* | *18,792,936* | *6.5* | *10.3* |
| *From nonresidents* | *2,913,361* | *2,845,839* | *2,746,662* | *2.4* | *6.1* |
| Bonds and other marketable debt securities | 5,460,827 | 2,986,466 | 2,350,030 | 82.9 | > |
| Subordinated financing | 251,420 | 263,469 | 259,517 | (4.6) | (3.1) |
| Other liability accounts | 799,590 | 878,951 | 709,739 | (9.0) | 12.7 |
| Accruals and deferred income | 608,530 | 301,009 | 534,830 | > | 13.8 |
| Special allowances: | 196,718 | 282,380 | 603,915 | (30.3) | (67.4) |
| *For pensions* | – | – | *437,457* | | *(100.0)* |
| *Other allowances* | *196,718* | *282,380* | *166,458* | *(30.3)* | *18.2* |
| Negative difference in consolidation | 444 | 444 | 570 | – | (22.1) |
| Shareholders' equity: | 2,318,792 | 2,030,016 | 2,048,671 | 14.2 | 13.2 |
| *Common stock* | *108,577* | *108,577* | *108,577* | – | – |
| *Reserves* | *1,208,004* | *1,057,359* | *1,065,147* | *14.2* | *13.4* |
| *Consolidation reserves.* | *1,002,211* | *864,080* | *874,947* | *16.0* | *14.5* |
| Minority interests: | 527,289 | 498,347 | 381,019 | 5.8 | 38.4 |
| *Common shares* | *227,289* | *198,347* | *201,019* | *14.6* | *13.1* |
| *Preferred shares* | *300,000* | *300,000* | *180,000* | – | *66.7* |
| Year-to-date net income | 514,826 | 614,164 | 460,946 | | 11.7 |
| **Total** | **40,455,780** | **37,395,559** | **36,043,906** | **8.2** | **12.2** |
| **Pro memoria** | | | | | |
| Off-balance sheet risks: | 4,976,901 | 4,279,024 | 3,642,072 | 16.3 | 36.7 |
| *Guarantees and other sureties* | *4,606,547* | *3,941,196* | *3,362,984* | *16.9* | *37.0* |
| *Documentary credits* | *298,938* | *310,717* | *278,510* | *(3.8)* | *7.3* |
| *Other contingent liabilities* | *71,416* | *27,111* | *578* | *>* | *>* |
| Allowance for doubtful off-balance sheet risks | 66,206 | 54,691 | 46,417 | 21.1 | 42.6 |
| Commitments: | 6,393,027 | 5,015,418 | 5,204,392 | 27.5 | 22.8 |
| *Unused portion of credit lines* | *5,353,940* | *4,256,861* | *4,250,697* | *25.8* | *26.0* |
| *Other commitments* | *1,039,087* | *758,557* | *953,695* | *37.0* | *9.0* |
| Other intermediated customer funds | 9,653,733 | 9,685,704 | 8,621,386 | (0.3) | 12.0 |

**Table 2. Consolidated equity**

| (Amounts in € thousand ) | September 30 2002 | December 31 2001* | September 30 2001 | Variation 9 months | Variation 12 months |
|---|---|---|---|---|---|
| Common stock | 108,577 | 108,577 | 108,577 | – | – |
| Reserves | 1,208,004 | 1,208,633 | 1,065,147 | (629) | 142,857 |
| Consolidation reserves | 992,818 | 979,115 | 871,274 | 13,703 | 121,544 |
| Less: | | | | | |
| Treasury stock | – | – | – | – | – |
| **On-balance sheet equity** | **2,309,399** | **2,296,325** | **2,044,998** | **13,074** | **264,401** |
| Minority interests | 527,289 | 518,177 | 381,019 | 9,112 | 146,270 |
| Common shares | 227,289 | 218,177 | 201,019 | 9,112 | 26,270 |
| Preferred shares | 300,000 | 300,000 | 180,000 | – | 120,000 |
| Subordinated financing | 251,420 | 263,469 | 259,517 | (12,049) | (8,097) |
| Less: | | | | | |
| Intangible assets | (17,801) | (20,791) | (20,514) | 2,990 | 2,713 |
| Goodwill | (26,627) | (33,613) | (35,964) | 6,986 | 9,337 |
| Other | (105) | (742) | (754) | 637 | 649 |
| **Bank of Spain computable capital** | **3,043,575** | **3,022,825** | **2,628,302** | **20,750** | **415,273** |
| Minimum requirement | 2,804,160 | 2,411,253 | 2,345,250 | 392,907 | 458,910 |
| Capital cushion | 239,415 | 611,572 | 283,052 | (372,157) | (43,637) |
| **Bank of Spain solvency ratio (%)** | **8.68** | **10.03** | **8.97** | | |
| **BIS computable capital** | **3,786,603** | **3,418,438** | **3,212,572** | **368,165** | **574,031** |
| *Of which: Tier 1 capital* | *3,034,876* | *2,759,819* | *2,585,121* | *275,057* | *449,755* |
| Minimum requirement | 2,810,849 | 2,413,388 | 2,346,179 | 397,461 | 464,670 |
| Capital cushion | 975,754 | 1,005,050 | 866,393 | (29,296) | 109,361 |
| **BIS ratio (%)** | **10.78** | **11.33** | **10.95** | | |
| *Of which: Tier 1(%)* | *8.64* | *9.15* | *8.81* | | |

(*) After distribution of 2001 income.

## Agency ratings

The three major international rating agencies have assigned the Banco Popular Group the highest ratings for solvency, based on its balance sheet strength, high income generation capability, high level of efficiency, 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 |

At the present time, and excluding state-owned banking entities backed by state guarantees, only four European banks have higher agency ratings than the Banco Popular Group.

## Customer funds

The on-balance sheet customer funds at September 30, 2002, i.e. customer deposits, marketable debt securities and subordinated financing, totaled €29,722 million, up 21.5% year on year (19.3% on average balances) and 14.9% since the beginning of the year, and represented 73% of the balance sheet total.

Customer deposits (demand and time deposits plus asset repos) at September 30, 2002, amounted to €24,009 million, up 9.8% year on year and 6.2% since December 2001.

**Fig.3 Customer funds**

(€ million)

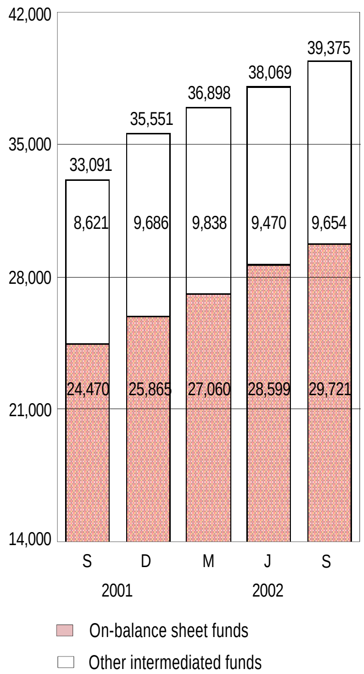
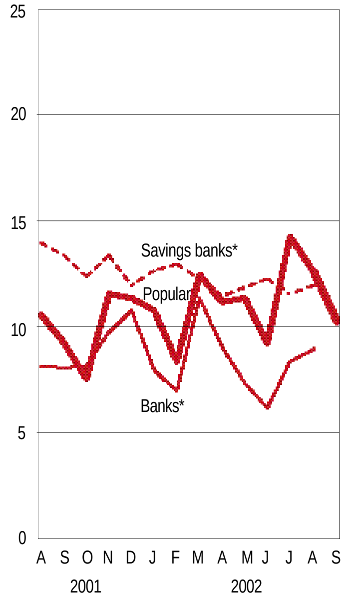


**Fig.4 % annual variation in total resident private-sector deposits**




* Source: Bank of Spain

The deposits of private-sector residents, accounting for 86% of the total, rose by 10.3% year on year and 6.5% since the beginning of the year. Demand deposits (current and savings accounts) year on year were 8.6% higher and time deposits increased by 9.5%; the growth rates in the first nine months were 5.2% and 9.0%.

In comparison with the Spanish financial system as a whole, the Group's deposits of private-sector residents have grown faster than those of banks but slower than those of savings banks, with average differentials of 2.2 and -1.6 percentage points, respectively, in the twelve months to August 2002 (per the latest data published by the Bank of Spain). Accordingly, the Group continued to gain market share with respect to banks, but not with respect to savings banks. Figure 4 shows the growth rates of Banco Popular compared with Spanish banks and savings banks.

Commercial paper and other debt securities - customer funds obtained through the sale of short-term (up to 18 months) marketable securities - amounted to €2,058 million at September end, with extremely strong growth of 135.8% 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, raising the year-on-year growth in total funds taken by the Group from private-sector residents (€22,791 million at September 30, 2002) to 15.9%.

Medium- and long-term debt securities (bonds and debentures outstanding) amounted to €3,402 million, a year-on-year increase of 130.3%, and

**Table 3. Customer funds**

| (Amounts in € thousand ) | September 30 2002 | December 31 2001 | September 30 2001 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| Customer deposits: | 24,009,393 | 22,615,236 | 21,860,759 | 6.2 | 9.8 |
| *From public bodies:* | *363,726* | *311,132* | *321,161* | *16.9* | *13.3* |
| Demand deposits . . . . . . . . . . . . . . . . . . . . . . . | 309,000 | 247,083 | 265,662 | 25.1 | 16.3 |
| Savings deposits . . . . . . . . . . . . . . . . . . . . . . . | 6,915 | 12,054 | 8,044 | (42.6) | (14.0) |
| Time deposits . . . . . . . . . . . . . . . . . . . . . . . . . | 47,755 | 51,927 | 47,387 | (8.0) | 0.8 |
| Assets sold under repurchase agreements . . . | 56 | 68 | 68 | (17.6) | (17.6) |
| Other accounts . . . . . . . . . . . . . . . . . . . . . . . . | – | – | – | – | – |
| *From other residents:* | *20,732,306* | *19,458,265* | *18,792,936* | *6.5* | *10.3* |
| Deposits of private-sector residents: | 19,425,342 | 18,192,152 | *17,822,903* | 6.8 | 9.0 |
| Demand deposits . . . . . . . . . . . . . . . . . . . . | 7,408,691 | 7,025,173 | 6,859,087 | 5.5 | 8.0 |
| Savings deposits . . . . . . . . . . . . . . . . . . . . | 3,610,987 | 3,453,534 | 3,284,544 | 4.6 | 9.9 |
| Time deposits . . . . . . . . . . . . . . . . . . . . . . | 8,405,664 | 7,713,445 | 7,679,272 | 9.0 | 9.5 |
| Assets sold under repurchase agreements . . . | 1,306,964 | 1,266,113 | 970,033 | 3.2 | 34.7 |
| Other accounts . . . . . . . . . . . . . . . . . . . . . . . . | – | – | – | – | – |
| *From nonresidents:* | *2,913,361* | *2,845,839* | *2,746,662* | *2.4* | *6.1* |
| Demand deposits . . . . . . . . . . . . . . . . . . . . . . . | 521,478 | 479,390 | 425,567 | 8.8 | 22.5 |
| Savings deposits . . . . . . . . . . . . . . . . . . . . . . . | 744,796 | 645,476 | 619,763 | 15.4 | 20.2 |
| Time deposits . . . . . . . . . . . . . . . . . . . . . . . . . | 1,644,750 | 1,716,511 | 1,696,955 | (4.2) | (3.1) |
| Assets sold under repurchase agreements . . . | 875 | 2,568 | 2,905 | (65.9) | (69.9) |
| Other accounts . . . . . . . . . . . . . . . . . . . . . . . . | 1,462 | 1,894 | 1,472 | (22.8) | (0.7) |
| Bonds and other marketable debt securities . . . . . | 5,460,827 | 2,986,466 | 2,350,030 | 82.9 | > |
| Bonds and debentures outstanding. . . . . . . . . | 3,402,404 | 1,968,146 | 1,477,114 | 72.9 | > |
| Promissory notes and other securities . . . . . . . | 2,058,423 | 1,018,320 | 872,916 | > | > |
| Subordinated financing . . . . . . . . . . . . . . . . . . | 251,420 | 263,469 | 259,517 | (4.6) | (3.1) |
| Total (a) . . . . . . . . . . . . . . . . . . . . . . . . . . | 29,721,640 | 25,865,171 | 24,470,306 | 14.9 | 21.5 |
| Other intermediated customer funds: | | | | | |
| Financial assets sold outright to customers (outstanding balances) . . . . . . . . | 607,461 | 655,584 | 606,430 | (7.3) | 0.2 |
| Mutual funds . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 5,755,485 | 5,815,695 | 5,405,904 | (1.0) | 6.5 |
| Asset portfolio management . . . . . . . . . . . . . . . . . | 575,798 | 406,336 | 396,543 | 41.7 | 45.2 |
| Pension funds . . . . . . . . . . . . . . . . . . . . . . . . . . . | 2,258,457 | 2,350,675 | 1,768,595 | (3.9) | 27.7 |
| Life insurance technical reserves . . . . . . . . . . . . . . | 456,532 | 457,414 | 443,914 | (0.2) | 2.8 |
| Total (b) . . . . . . . . . . . . . . . . . . . . . . . . . . | 9,653,733 | 9,685,704 | 8,621,386 | (0.3) | 12.0 |
| Total (a+b) . . . . . . . . . . . . . . . . . . . . . . . . | 39,375,373 | 35,550,875 | 33,091,692 | 10.8 | 19.0 |

subordinated debt issued totaled €251 million, which was similar to the September 2001 figure because no issues were made in the last twelve months (the minor variation in balances was due to the change in the US dollar/euro exchange rate). In both cases the proceeds were long-term funds raised in the Euromarket through instrumental subsidiaries which the Group assigns in full, in line with its orientation to domestic customers, to expand its capability to provide financing to residents in Spain.

The balance of off-balance sheet funds managed at September end was €9,654 million, an increase of 12.0% year on year but of practically nothing (-0.3%) in the first nine months of 2002. These figures include the effect of integration of the Fortior group referred to earlier, the adjusted rates being 5.6% and -6.0%, respectively. The evolution of the main component items is analyzed below.

Mutual fund assets, at €5,755 million, rose by 6.5% year on year, due mainly to the integration of the funds managed by Fortior (adjusted for this effect, the rate was 0.3%). In the first nine months of 2002, the growth rate was negative at -1.0% (-7.1% adjusted). These figures reflect the poor performance of stock markets which after a slight upturn in the early months of the year continued their decline, which grew worse in the third quarter. Analysis of the variations in mutual fund assets in the first nine months of this year reveals inflows that barely offset withdrawals, together with a substantial transfer of balances towards lower risk (fixed-income and monetary asset) funds and a sharp depreciation of equity portfolios.

By type of fund, monetary asset (FIAMM) fund assets were up 8.8% year on year and fixed-income fund assets by 37.7%. In contrast, guaranteed fund assets fell by 6.7%, mixed fixed-income and equity fund assets by 21.1% and equity fund assets by 24.3%.

Per the latest advanced data for the sector as a whole (published in September), the total assets of mutual funds in Spain had increased by 0.7% with respect to September 2001 and by 4.8% in the last nine months.

The asset portfolios managed by the Group totaled €576 million, a growth of 45.2% year on year, which however was negative at -2.7% adjusted for the effect of the integration of the Fortior group.

The balance of pension plans managed by the Group totaled €2,258 million, a year-on-year increase of 27.7%. Excluding from the foregoing figure the pension funds for employees of the Group banks which were externalized in November 2001, the adjusted interannual growth rate was 2.7%. The scant growth in the assets managed was due entirely to the performance of the stock markets, mentioned earlier, since in contrast to the situation in mutual funds, there was a very strong increase in net inflows of contributions to pension plans, with growth rates of nearly 12%.

To summarize, total on- and off-balance sheet customer funds instrumented by the Group at September 30, 2002, amounted to €39,375 million, up 19.0% year on year and 10.8% since the beginning of this year.

## Loans and discounts

The Group's loans and discounts totaled €32,513 million at September 30, 2002, up by 21.0% year on year and by 16.9% in the first nine months. The average balance in the first nine months was 18.9% higher than in the same period of 2001. The increase in average balances in the nine-month period was 18.9%, compared with the same period of 2001. At September end, loans and discounts represented 80% of total assets and 109% of on-balance sheet customer funds.

The breakdown of loans and discounts by sector and type and the variation in the last five quarters are shown in Table 4 and summarized in Figure 5.

**Fig.5 Loans and discounts**
(€ million)

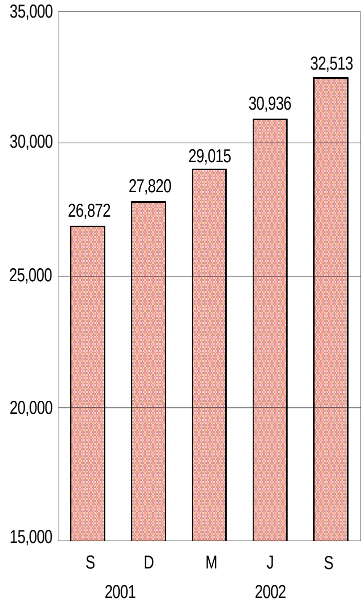
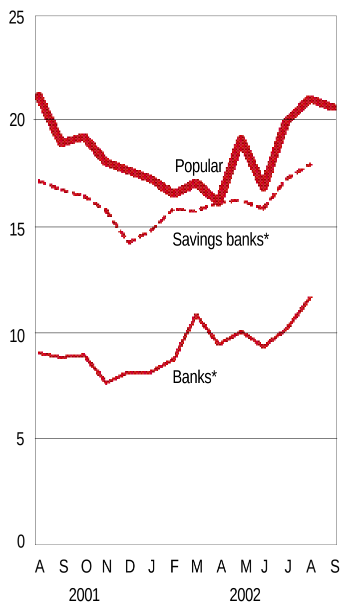


**Table 4. Loans and discounts**

(Amounts in € thousand )

| | September 30 2002 | December 31 2001 | September 30 2001 | % variation 9 months | % variation 12 months |
|---|---|---|---|---|---|
| *To public bodies:* | *31,939* | *30,429* | *37,632* | *5.0* | *(15.1)* |
| Secured loans | – | – | – | – | – |
| Other term loans | 31,606 | 30,383 | 36,945 | 4.0 | (14.5) |
| Overdrafts and other | 333 | 46 | 687 | > | (51.5) |
| *To other residents:* | *31,092,644* | *26,652,900* | *25,810,763* | *16.7* | *20.5* |
| Trade loans and discounts | 4,130,837 | 4,201,563 | 4,392,222 | (1.7) | (6.0) |
| Secured loans | 14,983,068 | 11,262,796 | 10,500,232 | 33.0 | 42.7 |
| Mortgage loans | 14,960,406 | 11,223,590 | 10,483,189 | 33.3 | 42.7 |
| Other | 22,662 | 39,206 | 17,043 | (42.2) | 33.0 |
| Other term loans: | 8,839,325 | 8,325,869 | 8,316,040 | 6.2 | 6.3 |
| Loans and credits | 8,691,602 | 8,226,529 | 8,274,053 | 5.7 | 5.0 |
| Repos | 147,723 | 99,340 | 41,987 | 48.7 | > |
| Overdrafts and other | 1,111,590 | 1,009,182 | 781,589 | 10.1 | 42.2 |
| Leasing | 2,027,824 | 1,853,490 | 1,820,680 | 9.4 | 11.4 |
| *To nonresidents:* | *1,063,195* | *888,822* | *796,527* | *19.6* | *33.5* |
| Trade loans and discounts | 212,825 | 191,090 | 179,914 | 11.4 | 18.3 |
| Secured loans | 394,092 | 302,389 | 294,266 | 30.3 | 33.9 |
| Mortgage loans | 385,572 | 296,019 | 281,883 | 30.3 | 36.8 |
| Other | 8,520 | 6,370 | 12,383 | 33.8 | (31.2) |
| Other term loans | 409,927 | 348,422 | 291,324 | 17.7 | 40.7 |
| Overdrafts and other | 46,351 | 46,921 | 31,023 | (1.2) | 49.4 |
| *Nonperforming loans:* | *325,245* | *247,859* | *226,667* | *31.2* | *43.5* |
| To public bodies | 674 | 698 | 644 | (3.4) | 4.7 |
| To other residents | 316,027 | 238,497 | 214,192 | *32.5* | *47.5* |
| To nonresidents | 8,544 | 8,664 | 11,831 | (1.4) | (27.8) |
| Total | 32,513,023 | 27,820,010 | 26,871,589 | 16.9 | 21.0 |

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




* Source: Bank of Spain

Credit to private-sector residents, amounting to €31,093 million, represented 96% of total loans and discounts, with growth of 20.5% year on year and of 16.7% in the first nine months.

Mortgage loans, mostly for home-buying, were again the most dynamic component and accounted for 46% of total lending, with year-on-year growth of 42.7% (adjusted for the effect of the purchase of 50% of Banco Popular Hipotecario last May the growth rate was 35.3%). Unsecured credits and loans (other term loans) were up by 5.0% and leasing transactions by 11.4%, whereas trade discounts were down by 6.0%.

The Group's loans and discounts to private-sector residents again grew faster than those of the Spanish financial system as a whole, leading to an appreciable increase in its market share. Per the latest published data of the Bank of Spain for the twelve months to August 2002, the Banco Popular Group grew faster than banks as a whole and also, to a lesser degree, than savings banks, with average differentials of 8.7 and 1.9 percentage points, respectively (5.6 percentage points compared with the system as a whole).

Figure 6 shows the growth rates of the Banco Popular Group and all Spanish banks and savings banks in the period considered.

Credit to nonresidents amounted to €1,063 million, up 33.5% year on year, due mainly to the expansion in Portugal where the Group now has 11 branch offices and a factoring company.

## Risk management

The Group's troubled (nonperforming) risk balances at September 30 amounted to €334.9 million, an increase of €100.1 million (42.6%) in the last twelve months. Since the beginning of the year, €279.0 million of assets have been classified as nonperforming, €132.7 million were favorably settled and €67.4 million were written off, of which €66.3 million were charged to the allowance booked for this purpose and the remainder to income. The net balance of these movements was an increase of €78.9 million, 30.8% of the balance at the beginning of the year.

The nonperforming loans ratio, i.e. nonperforming loans as a percentage of total risks, was 0.89% at September 30, 2002, as compared with 0.80% in December 2001 and 0.77% at September 2001.

The balances subject to country-risk regulations, which are not included in the foregoing figures, amounted to €36.5 million (0.1% of total risks), of which €11.3 million require coverage and for which an allowance of €5 million (44% of the balance) has been booked.

Net provisions to credit loss allowances in the first nine months of 2002 amounted to €188.4 million, 17.8% more than in the same period of the preceding year. €98.9 million of the foregoing amount were specific provisions for troubled risks, €42.7 million were general provisions, €43.3 million were booked to the anti-cyclical statistical credit loss allowance, €1.1 million were to write off unprovisioned risks and €2.4 million were for the country-risk allowance. €21.8 million of loan balances previously written off as bad debts were also recovered.

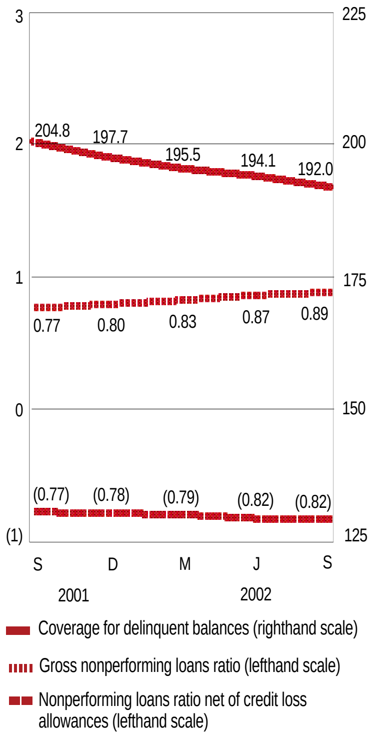
**Table 5. Risk management performance**

| (Amounts in € thousand ) | September 30 2002 | September 30 2001 | Variation Amount | Variation % |
|---|---|---|---|---|
| *Nonperforming loans*:* | | | | |
| Balance at January 1 | 256,035 | 208,603 | 47,432 | 22.7 |
| *Additions* | *278,964* | *180,918* | *98,046* | *54.2* |
| *Balances recovered* | *(132,667)* | *(81,155)* | *(51,512)* | *63.5* |
| Net variation for the year | 146,297 | 99,763 | 46,534 | 46.6 |
| % increase | 57.1 | 47.8 | 9.3 | |
| Writeoffs | (67,396) | (73,511) | 6,115 | (8.3) |
| Balance at September 30 | 334,936 | 234,855 | 100,081 | 42.6 |
| *Allowance for credit losses:* | | | | |
| Balance at January 1 | 506,129 | 383,891 | 122,238 | 31.8 |
| Annual provision: | | | | |
| *Gross* | *230,777* | *182,760* | *48,017* | *26.3* |
| *Recoveries* | *(45,967)* | *(22,421)* | *(23,546)* | *>* |
| Net | 184,810 | 160,339 | 24,471 | 15.3 |
| Other variations | 18,350 | 186 | 18,164 | > |
| Writeoffs | (66,276) | (73,511) | 7,235 | (9.8) |
| Balance at September 30 | 643,013 | 470,905 | 172,108 | 36.5 |
| Foreclosed real estate assets | 64,175 | 65,430 | (1,255) | *(1.9)* |
| Allowance for potential losses on foreclosed assets | 25,197 | 26,044 | (847) | *(3.3)* |
| *Pro memoria:* | | | | |
| Total risks | 37,488,898 | 30,513,221 | 6,975,677 | 22.9 |
| Loans transferred to suspense accounts | 720,570 | 657,748 | 62,822 | 9.6 |
| Nonperforming mortgage loans | 13,115 | 11,020 | 2,095 | 19.0 |
| *Risk quality measures (%):* | | | | |
| Nonperformance (Nonperforming loans/Total risks) | 0.89 | 0.77 | 0.12 | |
| Insolvency (Writeoffs/Total risks) | 0.18 | 0.24 | (0.06) | |
| Coverage: (Credit loss allowance/Nonperforming loans) | | | | |
| Coverage: (Allowance for potential losses on foreclosed | 191.98 | 200.51 | (8.53) | |
| assets/total foreclosed assets) | 39.26 | 39.80 | (0.54) | |

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

**Fig.7 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 non-performing balances)




The recorded credit loss allowances currently total €643.0 million, 36.5% higher than in September 2001, and 27.0% higher than at the beginning of the year, and signified a coverage ratio of the nonperforming loans balance at September end of 192.0%, as compared with 200.5% in September 2001 and 197.7% at December 31, 2001.

Considering the recorded allowances, the nonperforming loans ratio net of credit loss provisions is -0.82%, an improvement of 5 and 4 basis points, respectively, in comparison with September and December 2001, reflecting the Group's criterion of greater prudence in coverage of its risks in the face of a less favorable economic environment.

Precautionary provisions, i.e. those not regulatorily required, booked in the first nine months amounted to €20.1 million, of which €10.7 million were provision for credit losses and €9.4 million were assigned to the general banking risk allowance (which qualifies as equity). Additionally, €37.5 million were used in September to take early amortization of goodwill, as explained in the section on the income statement.

Foreclosed assets, all buildings, amounted to €64.2 million, with scant variation (-1.9% and 1.0%, respectively) from the balances at the end of September and December 2001. To cover possible losses on disposals, there was a specific allowance of €25.2 million at September 30, representing coverage of 39.3% of their book value which was virtually unchanged.

Tables 5 and 6 detail the evolution of nonperforming loans and credit loss allowances since September 2001, together with the main risk quality measures. Figure 7 plots the variation in the nonperforming loans ratio and allowance coverage, and of the latter net of provisions, in the same period of time.

In summary, the Group's risk management continues to be driven by very prudent criteria for classifying and provisioning troubled assets that go beyond legal requirements in an environment of a slight but persistent increase in nonperforming loans, which is in turn a consequence of lower economic growth without any signs so far of recovery.

**Table 6. Allowance for nonperforming loans**

(Amounts in € thousand )

| | September 30, 2002 | | September 30, 2001 | |
|---|---|---|---|---|
| | Balance | Total Provisioning | Balance | Total Provisioning |
| Doubtful balances with specific allowances: | 314,559 | 141,942 | 206,590 | 101,625 |
| Ordinary | 301,016 | 135,590 | 194,931 | 95,406 |
| Secured by prime collateral | 3,671 | 1,226 | 4,363 | 1,975 |
| Off-balance sheet risks | 9,872 | 5,126 | 7,296 | 4,244 |
| Doubtful balances with generic allowances | 18,012 | 131 | 26,199 | 228 |
| Doubtful balances for which allowances are not required | 2,365 | | 2,066 | |
| Total nonperforming loans | 334,936 | 142,073 | 234,855 | 101,852 |
| Other specific provisioning | 15,558 | 987 | 16,336 | 1,402 |
| Allowances for ordinary risks | 36,647,759 | 331,731 | 30,097,393 | 275,216 |
| General provisioning (1%) | 29,929,628 | 298,141 | 24,955,274 | 249,506 |
| Reduced provisioning (0.5%) | 6,718,131 | 33,590 | 5,142,119 | 25,710 |
| Statistical allowance | | 147,613 | | 82,424 |
| Total required provisions | | 622,404 | | 460,895 |
| Balance of credit loss allowances | | 643,013 | | 470,905 |
| Surplus | | 20,609 | | 10,010 |

# Earnings and profitability

## Income statement

Table 7 is the consolidated income statement at September 30, 2002, compared with that at the same date in 2001.

The pretax income of €794.1 million in the first nine months was 22.7% higher year on year. The corporate income tax charge of €279.2 million was 50.1% higher than in the same period of 2001. As mentioned in earlier reports, this substantial increase was due to the lower tax charge in 2001 as a result of the externalization of the Group banks' pension funds; the tax rate in 2001 was below 29%, as compared with 35.2% at present.

**Table 7. Consolidated statements of income**

| (Amounts in € thousand ) | Sept. 30 2002 | Sept. 30 2001 | % increase (decrease) |
|---|---|---|---|
| Interest and similar revenues | 1,748,522 | 1,707,034 | 2.4 |
| – Interest and similar charges: | 583,103 | 686,867 | (15.1) |
| *On liabilities* | *583,103* | *670,010* | *(13.0)* |
| *Allocable to pension allowance* | *–* | *16,857* | *(100.0)* |
| + Revenues from equity securities | 29,620 | 8,978 | > |
| **= Net interest revenue** | **1,195,039** | **1,029,145** | **16.1** |
| + Fees for services, net: | 426,620 | 423,588 | 0.7 |
| *Loan-related fees* | *54,845* | *55,658* | *(1.5)* |
| *Fees for guarantees, other sureties and documentary credits* | *41,494* | *35,672* | *16.3* |
| *Fees for other banking services* | *330,281* | *332,258* | *(0.6)* |
| **= Basic banking revenue** | **1,621,659** | **1,452,733** | **11.6** |
| + Asset trading and exchange profits, net: | 16,333 | 28,530 | (42.8) |
| *Financial asset trading income* | *(509)* | *6,680* | |
| *Writedowns of securities portfolio and derivatives* | *(11,080)* | *(5,273)* | > |
| *Exchange, translation and dealing gains* | *27,922* | *27,123* | *2.9* |
| **= Ordinary revenue** | **1,637,992** | **1,481,263** | **10.6** |
| – Operating costs: | 581,837 | 554,826 | 4.9 |
| *Personnel expenses* | *412,814* | *401,680* | *2.8* |
| *General expenses* | *144,546* | *130,975* | *10.4* |
| *Taxes other than income tax* | *24,477* | *22,171* | *10.4* |
| – Depreciation | 50,650 | 50,846 | (0.4) |
| + Other operating income | 1,472 | 1,040 | 41.5 |
| – Other operating expenses: | 27,113 | 31,012 | (12.6) |
| *Contribution to guarantee funds* | *9,286* | *13,032* | *(28.7)* |
| *Directors' fees and other mandated appropriations* | *17,258* | *17,225* | *0.2* |
| *Other* | *569* | *755* | *(24.6)* |
| **= Operating income** | **979,864** | **845,619** | **15.9** |
| + Share in equity method investees' income, net | 736 | 1,146 | (35.8) |
| – Amortization of goodwill in consolidation | 44,046 | 5,867 | > |
| + Gains (Losses) on group transactions, net | (111) | 2,688 | |
| – Writeoffs and provisions for credit losses: | 166,569 | 141,802 | 17.5 |
| *Provision to allowance for credit losses* | *188,370* | *159,911* | *17.8* |
| *Recovery of bad debts written off* | *(21,801)* | *(18,109)* | *20.4* |
| – Provision to general banking risk allowance | 9,402 | – | |
| ± Extraordinary gains (losses), net: | 33,602 | (54,772) | |
| *Gain on disposal of fixed assets* | *14,315* | *7,841* | *82.6* |
| *Recovery of pension allowance* | *–* | *–* | |
| *Extraordinary provision to allowance for pensions* | *(4,953)* | *(16,344)* | *(69.7)* |
| *Provision to allowances for other purposes* | *24,904* | *(43,828)* | |
| *Other* | *(664)* | *(2,441)* | *(72.8)* |
| **= Income before taxes** | **794,074** | **647,012** | **22.7** |
| – Corporate income tax provision | 279,248 | 186,066 | 50.1 |
| **= Net income** | **514,826** | **460,946** | **11.7** |
| – Minority interests | 41,956 | 37,204 | 12.8 |
| **= Net income attributable to Popular shareholders** | **472,870** | **423,742** | **11.6** |

**Fig.8 Quarterly income**
(€ million)

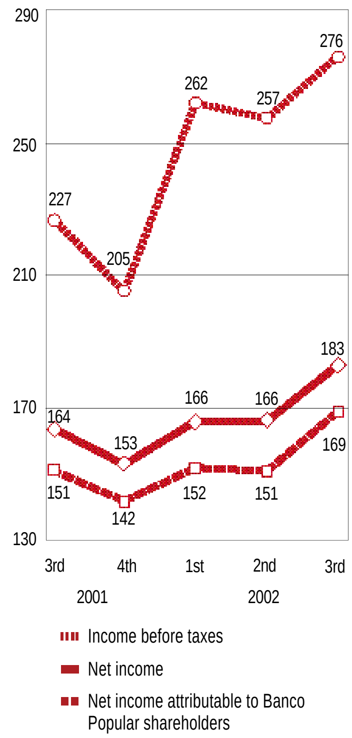



**Fig.9 Quarterly earnings and dividend per share**
(€)

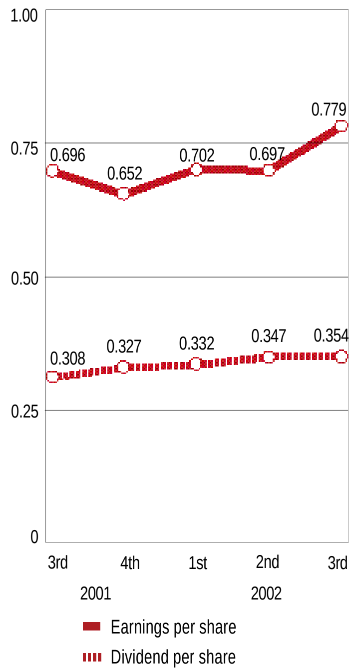


**Fig.10 Service revenues**
(€ million)

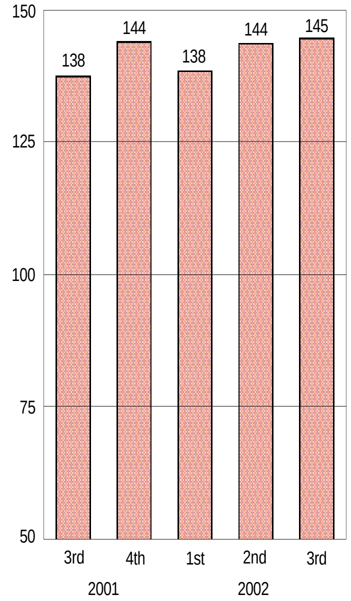
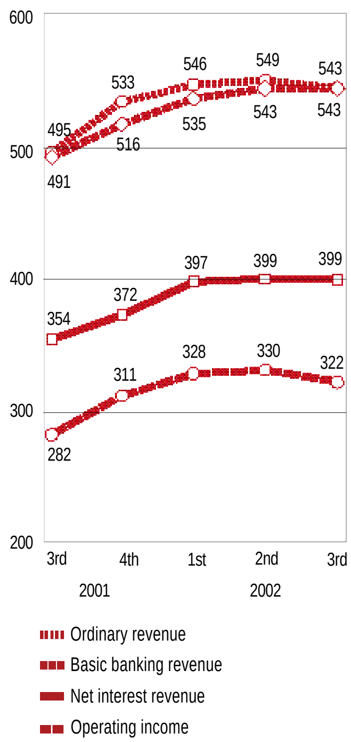



**Fig.11 Quarterly revenues**
(€ million)




The net income for the first nine months of 2002 amounted to €514.8 million, 11.7% higher than in the same period of 2001; after deduction of minority interests, the income attributable to Banco Popular shareholders was €472.9 million, 11.6 % up year on year.

The attributable income of the third quarter, amounting to €169.1 million, was 11.9% higher than in the same period of 2001, with a slightly upward profile over time, since the increase was 11.3% in the first quarter and 11.5% in the second quarter.

The earnings per share were €2.178 in the January - September period and €0.779 in the third quarter, with increases of 11.6% and 11.9%, respectively.

Figure 8 plots the growth of these three levels of income in the last five quarters and Figure 9 shows the quarterly earnings and dividend per share in the same period.

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

The net interest revenue of €1,195.0 million in the first nine months was 16.1% higher year on year; after the deduction of dividends of €29.6 million the growth rate was 14.2%; the rates for the third quarter were 12.7% and 10.8%, respectively. The reasons underlying this good performance were the growth of the balance sheet, driven by loans and discounts, and prudent management of the pricing of assets and liabilities. This performance was all the more outstanding considering that interest rates have been moving clearly downwards since September 2001. The increase of €165.9 million in net interest revenue between the two periods was the outcome of a higher volume effect of €177.1 million and an €11.2 million reduction due to interest rate variations.

Service fee revenues at €426.6 million in the first nine months were slightly up by 0.7% compared with the same period of 2001, although they have been clearly moving upwards during the year. Thus the year-on-year growth rate was positive at 5.1% in the third quarter, compared with the negative -3.9% in the first quarter and the growth of 1.2% in the second quarter. The fees for guarantees, mediation and means of payment evolved favorably, whereas customer financial asset management fees (mutual funds, customer portfolios, etc.) again had negative growth rates due to the poor performance of stock markets.

**Table 8. Service revenues**

| (Amounts in € thousand ) | Sept. 30 2002 | Sept. 30 2001 | % variation |
|---|---|---|---|
| Loan-related fees: | 54,845 | 55,658 | (1.5) |
| *Bill discounting* . . . . . . . . . . . . . . . . . . . . . . . . . | *31,003* | *33,890* | *(8.5)* |
| *Other* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | *23,842* | *21,768* | *9.5* |
| Provision of guarantees and other sureties . . . . . . . . . | 41,494 | 35,672 | 16.3 |
| Operating services: | 330,281 | 332,258 | (0.6) |
| Collection and payment handling : | 180,213 | 167,907 | 7.3 |
| *Note collection* . . . . . . . . . . . . . . . . . . . . . . . . . | *45,633* | *43,062* | *6.0* |
| *Checks* . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | *17,017* | *16,742* | *1.6* |
| *Direct debit transactions* . . . . . . . . . . . . . . . . . . | *12,376* | *10,912* | *13.4* |
| *Payment systems* . . . . . . . . . . . . . . . . . . . . . . . . | *73,716* | *68,323* | *7.9* |
| *Fund transfers* . . . . . . . . . . . . . . . . . . . . . . . . . | *31,471* | *28,868* | *9.0* |
| Foreign currency purchase and sale transactions . . | 2,175 | 6,187 | (64.8) |
| Customer financial asset management: | 114,256 | 122,660 | (6.9) |
| *Securities portfolio* | *12,009* | *16,299* | *(26.3)* |
| *Mutual funds* . . . . . . . . . . . . . . . . . . . . . . . . . . . | *66,201* | *71,682* | *(7.6)* |
| *Pension plans* . . . . . . . . . . . . . . . . . . . . . . . . . . | *36,046* | *34,679* | *3.9* |
| Administration of demand deposits . . . . . . . . . . . . . | 33,432 | 29,268 | 14.2 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 205 | 6,236 | (96.7) |
| Total . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 426,620 | 423,588 | 0.7 |

Table 8 and Figure 10 show the breakdown of service fee revenues and the variation over time.

The financial asset trading income of €16.3 million in the first nine months was 42.8% lower year on year, and the figure for the third quarter was €-0.2 million, reflecting the negative performance of the markets, which has been particularly marked in the last few months.

Ordinary revenue, the aggregate revenues of the banking business, amounted to €1,638.0 million in the first nine months, up 10.6% on the same period of the previous year and 9.8% in the third quarter.

Operating costs in the first nine months amounted to €581.8 million, an increase of 4.9% year on year. By caption, personnel costs were up by 2.8% and general expenses by 10.4%; the rates for the third quarter were 3.3% and 9.7%, respectively.

Operating income through September 30 amounted to €979.9 million, up 15.9% year on year (€321.9 million and 14.2%, respectively, in the third quarter). This increase in operating income in parallel with the strong progression in business volume described earlier synthesizes the success of the Group's strategy of profitable growth.

Figure 11 plots the different levels of revenue in the last five quarters.

Noteworthy in the lower part of the income statement were the net provisions to credit loss allowances in the first nine months, amounting to €188.4 million, 17.8% higher year on year; the figure for the third quarter was €61.0 million, 21.2% higher than in the same quarter of 2001. The detail is provided in the risk management section of this Report.

€21.8 million of risks written off as bad debts against credit loss allowances were also recovered, an increase of 20.4%. The figure for the third quarter was €6.8 million, an increase of 30.9%.

In connection with the increase of Banco Popular's stake in the Fortior group, as described in the "Total assets" section of this Report, the Group amortized at source the total goodwill of €37.5 million which arose on this transaction by a charge for this amount to allowances booked in excess of those regulatorily required. This prudent measure was adopted in order to maintain maximum balance sheet strength and, at the same time, to relieve the future generation of earnings from the burden that the write-off of this goodwill would involve in coming years.

The use of allowances for this purpose is included in the caption on provisions booked for other purposes, leading to the recording of an available balance of €24.9 million in the January - September period (€47.0 million in the third quarter).

In summary, the Group continued to allocate a substantial portion (€200.1 million through September 30, compared with €207.8 million in the same period of 2001) of its operating income for provisions and writedowns, reflecting its policy of prudence in order to maintain its balance sheet integrity at all times.

The other captions in the lower part of the income statement include the gains of €14.3 million on asset disposals, with a substantial year-on-year increase of 82.6%, and other items of scant amount.

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 operating efficiency.

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

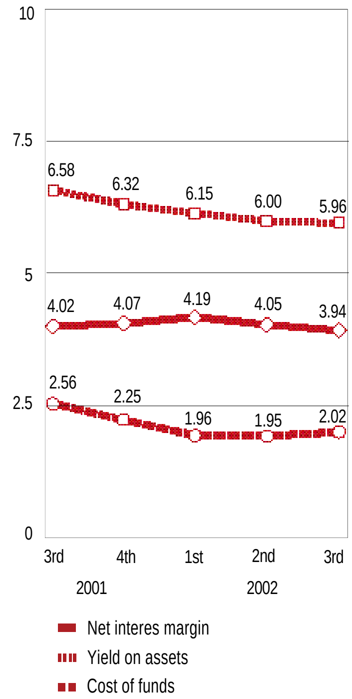



**Fig.13 Quarterly customer spread**

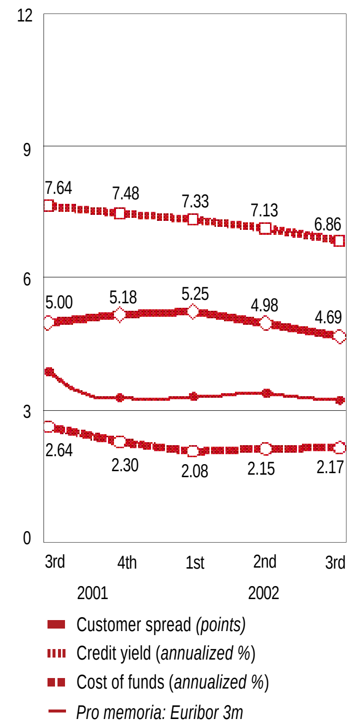


**Fig.14 Operating efficiency**

(€ million and %)

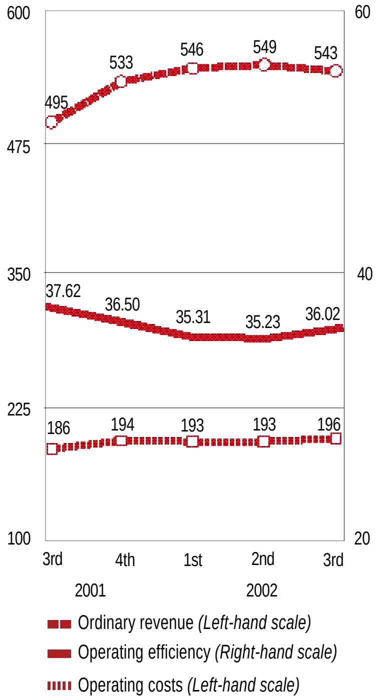



**Table 9. Quaterly income and profitability**

| (Amounts in € thousand ) | 2001 3rd | 2001 4th | 2002 1st | 2002 2nd | 2002 3rd |
|---|---|---|---|---|---|
| Interest and similar revenues | 578,885 | 578,107 | 582,888 | 592,579 | 602,675 |
| – Interest and similar charges | 225,300 | 205,711 | 185,887 | 193,159 | 204,057 |
| **= Net interest revenue** | **353,585** | **372,396** | **397,001** | **399,420** | **398,618** |
| + Fees for services, net | 137,569 | 143,759 | 138,430 | 143,574 | 144,616 |
| + Asset trading & exchange profits, net | 3,450 | 16,454 | 10,403 | 6,087 | (157) |
| **= Ordinary revenue** | **494,604** | **532,609** | **545,834** | **549,081** | **543,077** |
| – Operating costs: | 186,081 | 194,382 | 192,754 | 193,452 | 195,631 |
| *Personnel expenses* | *135,501* | *136,986* | *136,584* | *136,199* | *140,031* |
| *Other expenses* | *50,580* | *57,396* | *56,170* | *57,253* | *55,600* |
| – Depreciation | 16,974 | 17,357 | 16,893 | 16,685 | 17,072 |
| ± Other operating income/expenses, net | (9,810) | (9,906) | (8,444) | (8,698) | (8,499) |
| **= Operating income** | **281,739** | **310,964** | **327,743** | **330,246** | **321,875** |
| ± Other items, net | 2,426 | 4,344 | 8,816 | 3,367 | 2,093 |
| – Provisions and writedowns | 57,376 | 110,126 | 74,974 | 77,059 | 48,033 |
| **= Income before taxes** | **226,789** | **205,182** | **261,585** | **256,554** | **275,935** |
| – Corporate income tax provision | 63,013 | 51,964 | 95,593 | 91,043 | 92,612 |
| **= Net income** | **163,776** | **153,218** | **165,992** | **165,511** | **183,323** |
| – Minority interests | 12,638 | 11,678 | 13,593 | 14,139 | 14,224 |
| **= Net income attributable** | **151,138** | **141,540** | **152,399** | **151,372** | **169,099** |
| Pro memoria (€ million): | | | | | |
| Average total assets | 35,167 | 36,626 | 37,910 | 39,489 | 40,473 |
| Average total risk-weighted assets (RWA) | 28,860 | 29,747 | 30,794 | 32,888 | 34,936 |

| (As annualized % of average total assets) | 2001 3rd | 2001 4th | 2002 1st | 2002 2nd | 2002 3rd |
|---|---|---|---|---|---|
| Yield on assets | 6.58 | 6.32 | 6.15 | 6.00 | 5.96 |
| – Cost of funds | 2.56 | 2.25 | 1.96 | 1.95 | 2.02 |
| **= Net interest margin** | **4.02** | **4.07** | **4.19** | **4.05** | **3.94** |
| + Yield on services, net | 1.56 | 1.57 | 1.46 | 1.45 | 1.43 |
| + Yield on fin. assets trading & exch. profits | 0.04 | 0.18 | 0.11 | 0.06 | 0.00 |
| **= Ordinary margin** | **5.62** | **5.82** | **5.76** | **5.56** | **5.37** |
| – Operating costs: | 2.12 | 2.12 | 2.03 | 1.96 | 1.93 |
| *Personnel costs* | *1.54* | *1.49* | *1.44* | *1.38* | *1.38* |
| *Other expenses* | *0.58* | *0.63* | *0.59* | *0.58* | *0.55* |
| – Depreciation | 0.19 | 0.19 | 0.18 | 0.17 | 0.17 |
| ± Other operating income/expenses, net | (0.11) | (0.11) | (0.09) | (0.08) | (0.09) |
| **= Operating profitability** | **3.20** | **3.40** | **3.46** | **3.35** | **3.18** |
| ± Other items, net | 0.03 | 0.05 | 0.09 | 0.03 | 0.02 |
| – Provisions and writedowns | 0.65 | 1.21 | 0.79 | 0.78 | 0.47 |
| **= Pre-tax income return** | **2.58** | **2.24** | **2.76** | **2.60** | **2.73** |
| – Corporate income tax | 0.72 | 0.57 | 1.01 | 0.92 | 0.92 |
| **= Net income return (ROA)** | **1.86** | **1.67** | **1.75** | **1.68** | **1.81** |
| Pro memoria: | | | | | |
| Net return on average risk-weighted assets (RORWA) (%) | 2.27 | 2.06 | 2.16 | 2.01 | 2.10 |
| Net return on average equity (ROE) (%) | 29.56 | 27.70 | 26.56 | 26.02 | 29.49 |
| Leverage | 15.9 x | 16.6 x | 15.2 x | 15.5 x | 16.3 x |
| Operating efficiency (%) | 37.62 | 36.50 | 35.31 | 35.23 | 36.02 |

## Yields and costs

Table 10 shows the average balances and percentage breakdown of assets and funds in the first nine 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 seven quarters are presented in Table 11.

Average total assets in the first nine months amounted to €39,290 million, up 16.0% year on year.

Interest rates fell sharply from September 2001 as a result of the drastic intervention by the ECB which, in less than three months, slashed the main financing rate by a total of 125 basis points, then turned upwards slightly at the beginning of 2002, only to fall again to a low in the third quarter of this year. With 3-month Euribor as a benchmark, the present level (September average) is 3.30%, 66 basis points lower than in September 2001 and 5 basis points lower than at the end of 2001. The average rate in the first nine months of 2002 was 3.38%, a decline of 114 basis points, compared with the same period of 2001. These considerations should be borne in mind for the following analysis.

The average yield on loans and discounts was 7.10% in the first nine months of 2002, 63 basis points less than in the same period of 2001, whereas the average cost of customer funds was 2.09%, a decrease of 60 basis points between the two periods, and the customer spread (i.e. the difference between these two rates) therefore worsened by 3 basis points, from 5.04% to 5.01%.

The spread, the differential between the rate of yield on earning assets and the cost of interest-bearing liabilities, improved in the first nine months to 4.12%, 12 basis points higher than in the same period of 2001.

The net interest margin on average total assets improved slightly year on year from 4.05% to 4.06%, with a fall of 71 basis points in the yield on assets, compared with a decline of 72 basis points in the cost of funds.

**Table 10. Yields and costs**

(Amounts in € thousand and rates annualized)

| | September 30, 2002 | | | | September 30, 2001 | | | |
|---|---|---|---|---|---|---|---|---|
| | Average balance | Distri-bution (%) | Revenue or expense | Average rate (%) | Average balance | Distri-bution (%) | Revenue or expense | Average rate (%) |
| Treasury bills and Bank of Spain certificates of deposit | 207,703 | 0.53 | 6,029 | 3.87 | 318,545 | 0.94 | 10,926 | 4.57 |
| Financial system: | 5,712,125 | 14.54 | 124,600 | 2.91 | 5,769,220 | 17.03 | 201,916 | 4.67 |
| In euros | 3,548,070 | 9.03 | 87,942 | 3.30 | 3,684,339 | 10.87 | 120,976 | 4.38 |
| In foreign currencies | 2,164,055 | 5.51 | 36,658 | 2.26 | 2,084,881 | 6.16 | 80,940 | 5.18 |
| Loans and discounts (a): | 30,071,692 | 76.54 | 1,600,389 | 7.10 | 25,288,257 | 74.63 | 1,466,726 | 7.73 |
| In euros | 29,657,159 | 75.48 | 1,591,845 | 7.16 | 24,957,190 | 73.65 | 1,453,470 | 7.77 |
| In foreign currencies | 414,533 | 1.06 | 8,544 | 2.75 | 331,067 | 0.98 | 13,256 | 5.34 |
| Securities portfolio: | 1,199,677 | 3.05 | 47,124 | 5.24 | 892,838 | 2.63 | 36,444 | 5.44 |
| Government debt securities | 101,917 | 0.26 | 3,787 | 4.95 | 121,288 | 0.36 | 4,541 | 4.99 |
| Other fixed-interest securities | 522,908 | 1.33 | 13,717 | 3.50 | 614,863 | 1.81 | 22,925 | 4.97 |
| Equity securities | 574,852 | 1.46 | 29,620 | 6.87 | 156,687 | 0.46 | 8,978 | 7.64 |
| *Total earning assets (b)* | *37,191,197* | *94.66* | *1,778,142* | *6.37* | *32,268,860* | *95.23* | *1,716,012* | *7.09* |
| Other assets | 2,099,175 | 5.34 | – | – | 1,615,872 | 4.77 | – | – |
| **Total assets** | **39,290,372** | **100.00** | **1,778,142** | **6.04** | **33,884,732** | **100.00** | **1,716,012** | **6.75** |
| Financial system: | 6,470,960 | 16.47 | 142,132 | 2.93 | 5,669,151 | 16.73 | 194,830 | 4.58 |
| In euros | 4,533,908 | 11.54 | 114,767 | 3.38 | 3,935,517 | 11.61 | 134,018 | 4.54 |
| In foreign currencies | 1,937,052 | 4.93 | 27,365 | 1.88 | 1,733,634 | 5.12 | 60,812 | 4.68 |
| Customer funds (c): | 28,085,911 | 71.48 | 440,971 | 2.09 | 23,542,631 | 69.48 | 475,180 | 2.69 |
| Customer accounts: | 23,252,999 | 59.18 | 328,606 | 1.88 | 21,085,224 | 62.23 | 391,752 | 2.48 |
| In euros: | 22,361,141 | 56.91 | 318,581 | 1.90 | 20,199,584 | 59.61 | 366,200 | 2.42 |
| Demand and savings deposits | 11,690,115 | 29.75 | 61,958 | 0.71 | 10,584,912 | 31.24 | 70,338 | 0.89 |
| Time deposits | 9,137,546 | 23.26 | 216,600 | 3.16 | 8,080,659 | 23.84 | 241,046 | 3.98 |
| Assets sold under repurchase agreements | 1,531,570 | 3.90 | 40,023 | 3.48 | 1,532,137 | 4.52 | 54,816 | 4.77 |
| Other | 1,910 | – | – | – | 1,876 | 0.01 | – | – |
| In foreign currencies | 891,858 | 2.27 | 10,025 | 1.50 | 885,640 | 2.62 | 25,552 | 3.85 |
| Bonds and other marketable debt securities | 4,832,912 | 12.30 | 112,365 | 3.10 | 2,457,407 | 7.25 | 83,428 | 4.53 |
| Pension allowance | – | – | – | – | 417,073 | 1.23 | 16,857 | 5.39 |
| *Total interest-bearing liabilities (d)* | *34,556,871* | *87.95* | *583,103* | *2.25* | *29,628,855* | *87.44* | *686,867* | *3.09* |
| Other non-interest-bearing liabilities | 2,428,386 | 6.18 | – | – | 2,210,879 | 6.52 | – | – |
| Capital accounts | 2,305,115 | 5.87 | – | – | 2,044,998 | 6.04 | – | – |
| **Total liabilities and capital** | **39,290,372** | **100.00** | **583,103** | **1.98** | **33,884,732** | **100.00** | **686,867** | **2.70** |
| *Customer spread (a-c).* | | | | *5.01* | | | | *5.04* |
| *Spread (b-d)* | | | | *4.12* | | | | *4.00* |

**Table 11. Quarterly yields and costs**

(Data in % and rates annualized)

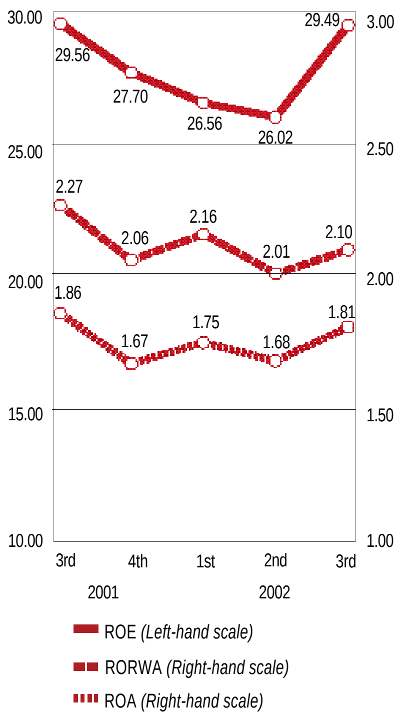
| | 2001 | | | | | | | | 2002 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1st | | 2nd | | 3rd | | 4th | | 1st | | 2nd | | 3rd | |
| | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *Rate* | Distri-bution | *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* | 0.47 | *3.65* | 0.22 | *3.08* |
| Financial system | 18.41 | *4.89* | 17.17 | *4.98* | 15.61 | *4.09* | 16.47 | *3.57* | 15.31 | *3.02* | 15.46 | *2.74* | 12.91 | *2.98* |
| Loans and discounts (a) | 73.72 | *7.77* | 74.49 | *7.79* | 75.60 | *7.64* | 74.63 | *7.48* | 74.53 | *7.33* | 75.88 | *7.13* | 79.05 | *6.86* |
| Securities portfolio | 2.69 | *7.07* | 2.46 | *5.19* | 2.75 | *4.20* | 2.57 | *3.74* | 3.23 | *5.83* | 3.18 | *4.76* | 2.77 | *5.13* |
| *Total earning assets (b)* | *95.52* | *7.17* | *95.06* | *7.19* | *95.12* | *6.92* | *94.82* | *6.66* | *93.99* | *6.54* | *94.99* | *6.32* | *94.95* | *6.27* |
| Other assets | 4.48 | – | 4.94 | – | 4.88 | – | 5.18 | – | 6.01 | – | 5.01 | – | 5.05 | – |
| **Total assets** | **100.00** | ***6.85*** | **100.00** | ***6.83*** | **100.00** | ***6.58*** | **100.00** | ***6.32*** | **100.00** | ***6.15*** | **100.00** | ***6.00*** | **100.00** | ***5.96*** |
| Financial system | 15.54 | *5.09* | 17.26 | *4.75* | 17.32 | *4.00* | 19.16 | *3.49* | 18.08 | *3.00* | 17.21 | *2.69* | 14.24 | *3.13* |
| Customer funds (c) | 70.25 | *2.75* | 69.80 | *2.70* | 68.31 | *2.64* | 67.33 | *2.30* | 68.16 | *2.08* | 69.42 | *2.15* | 72.43 | *2.17* |
| Pension allowance | 1.24 | *5.33* | 1.22 | *5.38* | 1.23 | *5.45* | 0.50 | *5.43* | – | – | – | – | – | – |
| *Total interest-bearing liabilities (d)* | *87.03* | *3.20* | *88.28* | *3.13* | *86.86* | *2.95* | *86.99* | *2.58* | *86.24* | *2.27* | *86.63* | *2.26* | *86.67* | *2.33* |
| Other non-interest-bearing liabilities | 6.66 | – | 5.72 | – | 7.32 | – | 7.43 | – | 7.70 | – | 7.52 | – | 7.66 | – |
| Capital accounts | 6.31 | – | 6.00 | – | 5.82 | – | 5.58 | – | 6.06 | – | 5.85 | – | 5.67 | – |
| **Total liabilities and capital** | **100.00** | ***2.79*** | **100.00** | ***2.77*** | **100.00** | ***2.56*** | **100.00** | ***2.25*** | **100.00** | ***1.96*** | **100.00** | ***1.95*** | **100.00** | ***2.02*** |
| *Customer spread (a-c)* | | *5.02* | | *5.09* | | *5.00* | | *5.18* | | *5.25* | | *4.98* | | *4.69* |
| *Spread (b-d)* | | *3.97* | | *4.06* | | *3.97* | | *4.08* | | *4.27* | | *4.06* | | *3.94* |

Considering the third quarter in isolation, the customer spread, the spread and the net interest margin were 29 basis points, 12 basis points and 11 basis points, respectively, lower than in the second quarter, as the outcome of a reduction in the rates of yield on assets and a slight increase in the rates of cost of funds.

Table 11 and Figures 12 and 13 show the variations in the last seven quarters in the rates of yield and cost and of the foregoing margins.

**Fig.15 ROA, RORWA and ROE**

(Annualized %)




## Profitability

The annualized ROE was 27.35% in the first nine months of 2002, substantially the same as the 27.63% for the same period of the previous year. The ROE in the third quarter was 29.49%, compared to 26.02% in the second quarter and 29.56% in the third quarter of 2001.

The annualized ROA was 1.75% in the first nine months, 6 basis points lower than in the same period of 2001. The return on average risk-weighted total assets (RORWA) was 2.09%, a year-on-year decrease of 15 basis points.

The ROA and RORWA for the third quarter were 1.81% and 2.10%, respectively, a decrease of 5 basis points and 17 basis points compared with the third quarter of 2001 and an increase of 13 basis points and 9 basis points compared with the second quarter of 2002.

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

The income statement for the first nine months, annualized and expressed in percentages of average total assets, discloses stable operating profitability with the same period of 2001 (333 basis points of average total assets). Analysis of the two periods shows that operating costs, net interest margin and other minor items contributed 21 basis points, 1 basis point and 6 basis points, respectively, to earnings, whereas the service fee and financial asset trading margins made negative contributions of 22 basis points and 6 basis points, respectively.

Table 12 shows profitability in the first nine months compared with that in the same period of 2001.

| Table 12. Profitability at September 30 | | | |
|---|---|---|---|
| (As annualized % of average total assets) | Sept. 30 2002 | Sept. 30 2001 | Variation |
| Yield on assets | 6.04 | 6.75 | (0.71) |
| – Cost of funds | 1.98 | 2.70 | (0.72) |
| **= Net interest margin** | **4.06** | **4.05** | **0.01** |
| + Yield on services, net | 1.45 | 1.67 | (0.22) |
| + Yield on fin. assets trading & exch. profits | 0.05 | 0.11 | (0.06) |
| **= Ordinary margin** | **5.56** | **5.83** | **(0.27)** |
| – Operating costs: | 1.97 | 2.18 | (0.21) |
| *Personnel costs* | *1.40* | *1.58* | *(0.18)* |
| *Other expenses* | *0.57* | *0.60* | *(0.03)* |
| – Depreciation | 0.17 | 0.20 | (0.03) |
| ± Other operating income/expenses, net | (0.09) | (0.12) | 0.03 |
| **= Operating profitability** | **3.33** | **3.33** | **–** |
| ± Other items, net | 0.04 | 0.04 | – |
| – Provisions and writedowns | 0.68 | 0.82 | (0.14) |
| **= Pre-tax income return** | **2.69** | **2.55** | **0.14** |
| – Corporate income tax | 0.94 | 0.74 | 0.20 |
| **= Net income return (ROA)** | **1.75** | **1.81** | **(0.06)** |
| Pro memoria: | | | |
| Net return on average risk-weighted assets (RORWA) (%) | 2.09 | 2.24 | (0.15) |
| Net return on average equity (ROE) (%) | 27.35 | 27.63 | (0.28) |
| Leverage | 15.6 x | 15.3 x | 0.3 |
| Operating efficiency (%) | 35.52 | 37.46 | (1.94) |
| *€ million:* | | | |
| Average total assets | 39,290 | 33,885 | 5,405 |
| Average total risk-weighted assets (RWA) | 32,873 | 27,505 | 5,368 |

The same analysis for the third quarter of 2002 appears in the lower part of Table 9, together with that for the four preceding quarters. Compared with the second quarter, there was a fall of 17 basis points in operating profitability to 318 basis points, due mainly to a lower contribution of 11 basis points in the net interest margin and of 6 basis points in the financial asset trading margin.

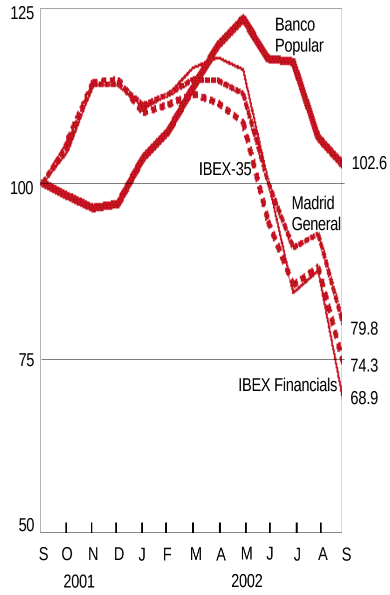
The operating efficiency ratio, i.e. the portion of total revenues absorbed by operating costs, again evolved favorably and was 35.5% in the first nine months (36.0% in the third quarter), as compared with 37.5% and 37.6% in the same periods of 2001.

The balance sheet leverage, i.e. the ratio of total funds to total equity, was 15.6 times in the first nine months, compared with 15.3 times in the first nine months of 2001.

## Market performance of Banco Popular shares

**Fig.16 Stock market indexes**

(Month-end figures)




The Bank's share price closed at €38.98 at the end of the first nine months following an uneven performance over the last twelve months. There was a strong increase in the price until June, peaking at a record price of €47.95, and then an appreciable decline during the third quarter, to close with an appreciation of 2.6% over September 2001.

This performance compares very favorably with that of the stock market, where prices have fallen sharply. In the period addressed, the Madrid Stock Exchange general share index was down by 20.2%, the IBEX-35 by 25.7% and the financial sector IBEX by 31.1%.

The market return on Banco Popular shares - the rise (or fall) in the share price plus dividend payments - in the last twelve months was 6.2% and in the first nine months was 8.5%.

The P/E ratio of Banco Popular shares at the end of the first nine months of 2002 was 13.4 times the annualized income for the period.

232 million shares representing 106.7% of the total stock outstanding were traded in the first nine months of 2002, at an average price of €41.36 per share, evidencing the high liquidity of the stock in the market.

**Table 13. Quarterly bank share performance**

| | | Share liquidity (Number in thousands) | | | Share market price (€) | | | Dividend paid (€) | Market return* |
|---|---|---|---|---|---|---|---|---|---|
| | Quarters | 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 |
| | 2nd | 217,154 | 78,069 | 35.95 | 47.95 | 41.03 | 44.77 | 0.347 | 4.4 |
| | 3rd | 217,154 | 82,676 | 38.07 | 45.20 | 37.00 | 38.98 | 0.354 | (12.1) |

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

On September 30, 2002, the Bank did not own, either directly or indirectly through any subsidiary company, whether consolidable or not, any of its own shares. In the first nine months of the year the Group intervened as a buyer in transactions involving 2,654,296 shares (1.22% of the capital stock), and as a seller in the same number. The maximum treasury stock held in the first nine months was 1,645,542 shares, 0.76% of the capital stock, the minimum was zero and the average was 256,013 shares (0.12%).

For details of the variations in market price, dividends, liquidity and market return since the beginning of 2001, see Table 13. On an index basis, with September 30, 2001 = 100, Figure 16 shows the movement in the market price of Banco Popular shares in the last twelve months, compared with the Stock Market indices mentioned above.

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