



Corporate Governance
Report 2004

The corporate culture of Banco Popular Español, the fruit of a tradition firmly based on years of experience and on a set of customs, knowledge and ways of acting has progressively shaped an in-house model of corporate governance documented year by year in the related annual reporting documents.

Since 1998, an Annual Corporate Governance Report has been prepared to enable shareholders, customers and analysts to have an even more direct and transparent knowledge of the corporate policy. From the outset, this report has been drafted in line with the systematic structure of the Olivencia Report, to which was added in 2003 the structure derived from the Aldama Report.

The 2004 Corporate Governance Report conforms in format and content to the model approved by Circular 1/2004 of the Spanish Securities and Exchange Commission.

BANCO POPULAR ESPAÑOL, S.A.
CORPORATE GOVERNANCE REPORT FOR 2004

A STRUCTURE OF OWNERSHIP

A.1. Complete the following table on the capital stock of the company:

<u>Date of last change</u>	<u>Capital (€)</u>	<u>Number of shares</u>
05-27-2003	113,693,254	227,386,508

If there are different classes of shares, show them in the following table:

<u>Class</u>	<u>Number of shares</u>	<u>Unit par value</u>
-	-	-

All the shares of the Bank outstanding are of the same class and series.

A.2. Detail the direct and indirect owners of significant shareholdings in the company at year end, excluding the directors:

<u>Shareholder's name or corporate style</u>	<u>Number of directly-owned shares</u>	<u>Number of indirectly owned shares (*)</u>	<u>Total % of capital stock</u>
Allianz Aktiengesellschaft Holding		20,651,132	9.08
Topbreach Holding, B.V.	12,227,277		5.38

(*) Through:

<u>Shareholder's name or corporate style</u>		
ALLIANZ AKTIENGESELLSCHAFT HOLDING		
<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>	<u>% of capital stock</u>
AGF International, S.A.	4,796,000	2.11
Ras Internacional, N.V.	4,796,000	2.11
Dresdner Bank, A.G. - Frankfurt	9,000,000	3.96
Allianz, Cia de seguros y reaseguros	2,038,132	0.89
Allianz Variable, FIM	21,000	0.01
Total:	20,651,132	9.08

Detail the most significant changes in the shareholder structure during the year:

<u>Shareholder's name or corporate style</u>	<u>Transaction date</u>	<u>Transaction description</u>
-	-	-

A.3. Complete the following tables on directors of the company that own shares of the company :

<u>Director's name or corporate style</u>	<u>Date of first appointment</u>	<u>Date of latest appointment</u>	<u>Number of directly owned shares</u>	<u>Number of indirectly owned shares (*)</u>	<u>Total % of capital stock (1)</u>
Aparicio, Francisco	12-18-2003	6-24-2004	3,450	0	0.00
Asociación de Directivos de BPE	11-27-1980	6-24-2004	6,000	0	0.00
Fernández, Francisco	10-19-2004	10-19-2004	100	0	0.00
Ferreira de Amorim, Americo	5-27-2003	6-24-2004	100	12,227,277	5.38
Gancedo, Eric	6-20-2002	6-24-2004	45,800	27,240	0.03
Herrando, Luis	6-21-2001	6-24-2004	750	800	0.00
Molins, Casimiro	11-24-1987	6-24-2004	4,400	92,000	0.04
Montuenga, Luis	12-1-1987	6-24-2004	16,440	0	0.01
Morillo, Manuel	6-23-1999	6-24-2004	10	0	0.00
Nigorra, Miguel	12-19-1974	6-24-2004	43,488	44,800	0.04
Rodríguez, José Ramón	12-1-1987	6-24-2004	5,000	613,650	0.27
Director					
Ron, Ángel	3-14-2002, Chairman 10-19-2004	10-19-2004	40	0	0.00
Santana, Vicente	5-27-2003	6-24-2004	2,200	264,628	0.12
Sindicatura de Accionistas de BPE	6-28-1988	6-24-2004	1,564,184	17,593,431 (2)	8.43
Solís, Miguel Ángel	12-18-1996	6-24-2004	147,337	19,622	0.07
Termes, Rafael	6-30-1964	6-24-2004	4,000	161,733	0.07
Director					
Valls, Javier	7-14-1966, Chairman 4-25-1989	6-24-2004	62,750	21,310	0.04
Viñas, Emilio	5-27-2003	6-24-2004	12,511	297,000	0.14
Walter, Herbert	4-20-2004	6-24-2004	100	0	0.00

(1) This table does not include the shares habitually represented by Board members amounting to approximately 19.56% of the capital stock; this percentage includes most notably the 9.08% of capital stock, corresponding to shares owned by Allianz, AG, represented by the Director Herbert Walter.

(2) The indirectly owned shares are net of 5,324,400 syndicated shares which are direct, indirect and represented holdings of other directors.

(*) Through:

Director's name or corporate style

Americo Ferreira de Amorim

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Topbreach Holding, B.V.	12,227,277
Total:	12,227,277

Director's name or corporate style

Eric Gancedo Holmer

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Brunoseta, S.L.	20,000
Los Prunos del Seto, S.L.	1,000
Familia Gancedo	6,240
Total:	27,240

Director's name or corporate style

Luis Herrando Prat de la Riba

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Carmen Deprit Navea	800
Total:	800

Director's name or corporate style

Casimiro Molins Ribot

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Inversora Pedralbes, S.A.	92,000
Total:	92,000

Director's name or corporate style

Miguel Nigorra Oliver

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
MNCC International, S.A.R.L.	36,000
Corona Cobian Otero	8,800
Total:	44,800

Director's name or corporate style

José Ramón Rodríguez García

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Bairsa, S.A.	610,000
M ^a Luisa Igartua Narvaiza	3,650
Total:	613,650

Director's name or corporate style

Vicente Santana Aparicio

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Complector, S.L.	264,628
Total:	264,628

Director's name or corporate style

SINDICATURA DE ACCIONISTAS DE BPE

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Numerous individual investors	17,593,431
Total:	17,593,431

Director's name or corporate style

Miguel Ángel de Solís Martínez Campos

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Guelmisa, S.L.	19,537
Enrique de Solís Tello	85
Total:	19,622

Director's name or corporate style

Rafael Termes Carrero

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Fomento de Fundaciones	161,733
Total:	161,733

Director's name or corporate style

Javier Valls Taberner

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Luis Javier Valls Taberner Muls	2,436
Cristina Valls Taberner Muls	10,674
Cristina Muls Delassue	8,200
Total:	21,310

Director's name or corporate style

Emilio Viñas Barba

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
Amplector, S.L.	289,000
Posesor, S.L.	8,000
Total:	297,000

Total % of capital stock held by the Board of Directors
14.63%(*)

(*) This percentage does not include the shares habitually represented by Board members amounting to approximately 19.56% of the capital stock; this percentage includes most notably the 9.08% of capital stock corresponding to shares owned by Allianz, AG. The total capital stock represented by the Board of Directors, taking into account the direct, indirect and habitually represented shares, would amount to 34.20%.

Complete the following tables about Board members holding rights on company shares:

<u>Director's name or corporate style</u>	<u>Number of direct option rights</u>	<u>Number of indirect option rights</u>	<u>Equivalent number of shares</u>	<u>Total % of capital stock</u>
-	-	-	-	-

A.4. If there are family, commercial, contractual or corporate relationships between owners of significant shareholdings and to the extent that the company has knowledge of them, detail them below unless they are scantily relevant or arise from ordinary commercial transactions.

None.

A.5. If there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantily relevant or arise from ordinary commercial transactions.

<u>Related entity's name or corporate style</u>	<u>Type of relationship</u>	<u>Brief description</u>
Eurocorredores, S.A. (wholly owned by BPE) and Allianz	Contractual	Marketing through Banco Popular Group banks of general insurance products of Allianz.
Banco Popular - Allianz	Contractual	Externalization of pension commitments to serving and retired staff
Banco Popular Group - Allianz	Contractual	Externalization of pension commitments to serving and retired staff
Banco Popular - Allianz	Corporate	Eurovida, S.A. Cía Seguros y Reaseguros, engaged in marketing life insurance, owned 49% and 51%, respectively, and Europensiones, S.A., Entidad Gestora de Fondos de Pensiones, owned 51% and 49%, respectively

A.6. Detail any pacts between shareholders that have been notified to the company:

<u>Parties to the pact</u>	<u>% of capital stock affected</u>	<u>Brief description of the pact</u>
-	-	-

Detail the pacts on shares, if any, between shareholders of the company of which the company is aware:

<u>Parties to the pact</u>	<u>% of capital stock affected</u>	<u>Brief description</u>
-	-	-

State below any change in or termination of such pacts or agreements or share pacts during the year:

Not applicable

A.7. State whether there is any individual or legal entity that exercises or may exercise control over the company in the terms of Article 4 of the Securities Market Law:

None

A.8. Complete the following tables about the company's treasury stock:

At year end:

<u>Number of directly owned shares</u>	<u>Number of indirectly owned shares (*)</u>	<u>Total % of capital stock</u>
94,818	0	0.0417

(*) Through:

<u>Name or corporate style of direct owner of the holding</u>	<u>Number of directly owned shares</u>
-	-
Total:	-

(Detail the significant variations, as defined in Royal Decree 377/1991, during the year:

<u>Date</u>	<u>Number of directly owned shares</u>	<u>Number of indirectly owned shares</u>	<u>Total % of capital stock</u>
-	-	-	-

Results on treasury stock transactions during the year:

(€ thousand)
417

A.9. Detail the conditions and the period(s) of the authorizations granted by the Shareholders Meeting to the Board of Directors for the purchases or sales of treasury stock described in section A.8.

The treasury stock transactions in 2004 described in the preceding section were made pursuant to the following authorizations of the Shareholders Meeting to the Board of Directors.

1.- The Ordinary and Extraordinary Shareholders Meeting on June 26, 2003, adopted the following resolution included in the agenda:

"To authorize and empower the Board of Directors of Banco Popular Español and the governing bodies of the companies of which Banco Popular Español is deemed to be the controlling company to acquire, in the manners permitted by law, shares of Banco Popular Español up to the limits and subject to the requirements stated below:

- That the face value of the shares acquired, when added to that of those already owned by the Bank and its subsidiaries, does not at any time exceed 5% of the capital stock.
- That the Bank and, where appropriate, the acquiror subsidiary have the capacity to record the restrictive reserve prescribed by law for such cases without reducing the capital or the legal reserve or the reserves which are restricted pursuant to the bylaws.
- That the shares acquired have been fully paid.
- That the minimum and maximum acquisition prices do not exceed a 20% reduction or increase in the market price at the Stock Exchange session on the day of purchase.

This authorization, which is granted for the maximum legal period, is understood to be without prejudice to the cases addressed in the law as of free acquisition.

The Board of Directors is further authorized to dispose of the treasury stock acquired or that may be acquired in the future and to cancel the shares of treasury stock against equity and to make the consequent capital reduction and bylaw amendment, for such amount as may at any time be desirable or necessary, up to the maximum of the treasury stock held at any time, on one or several occasions and always within a maximum period of 18 months from the date of the Shareholders Meeting.

This authorization includes and supersedes that granted by the Ordinary and Extraordinary Shareholders Meeting on June 20, 2002."

2.- The Ordinary and Extraordinary Shareholders Meeting on June 24, 2004, adopted the following resolution included in the agenda:

"To authorize and empower the Board of Directors of Banco Popular Español and the governing bodies of the companies of which Banco Popular Español is deemed to be the controlling company to acquire, in the manners permitted by law, shares of Banco Popular Español up to the limits and subject to the requirements stated below:

- That the face value of the shares acquired, when added to that of those already owned by the Bank and its subsidiaries, does not at any time exceed 5% of the capital stock.
- That the Bank and, where appropriate, the acquiror subsidiary have the capacity to record the restrictive reserve prescribed by law for such cases without reducing the capital or the legal reserve or the reserves which are restricted pursuant to the bylaws.
- That the shares acquired have been fully paid.
- That the minimum and maximum acquisition prices do not exceed a 20% reduction or increase in the market price at the Stock Exchange session on the day of purchase.

This authorization, which is granted for the maximum legal period, is understood to be without prejudice to the cases addressed in the law as of free acquisition.

The Board of Directors is further authorized to dispose of the treasury stock acquired or that may be acquired in the future and to cancel the shares of treasury stock against equity and to make the consequent capital reduction and bylaw amendment, for such amount as may at any time be desirable or necessary, up to the maximum of the treasury stock held at any time, on one or several occasions and always within a maximum period of 18 months from the date of the Shareholders Meeting.

This authorization includes and supersedes that granted by the Ordinary and Extraordinary Shareholders Meeting on June 26, 2003."

A.10. Indicate the legal and bylaw restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock.

1.- Legal and bylaw restrictions on the exercise of voting rights:

Article 14 of the Bylaws states:

"Article 14.- The maximum number of votes that may be cast by any one shareholder or companies belonging to any one group is 10% of the votes to be cast at the Shareholders Meeting concerned. The foregoing limitation shall not be applicable if, pursuant to current legislation, the Banking Establishments Deposit Guarantee Fund acquires a holding of more than 10% of the capital stock."

Article 59 of Law 26/1988 on Discipline and Intervention of Credit Institutions establishes a restriction on the exercise of voting rights in the event of irregularly acquired shareholdings.

2.- Legal restrictions on the purchase or sale of ownership interests in capital stock:

Articles 57, 58 and 60 of Law 26/1988 on Discipline and Intervention of Credit Institutions establishes a procedure for prior reporting to the Bank of Spain of the acquisition or sale of a significant holding in a Spanish credit institution or the increase or decrease thereof in excess of the percentages of capital stated in Article 57.2.

The Bank of Spain will have a maximum period of three months from the date of its being notified to oppose, if appropriate, the intended acquisition.

B STRUCTURE OF GOVERNANCE OF THE BANK

B.1 Board of Directors

B.1.1. Maximum and minimum number of directors per the bylaws:

Maximum number of directors	20
Minimum number of directors	12

B.1.2. Complete the following table with the names of the Board members:

<u>Director's name or corporate style</u>	<u>Representative</u>	<u>Board office</u>	<u>Date first appointed</u>	<u>Date of latest appointment</u>	<u>How elected</u>
Aparicio, Francisco		Secretary	12-18-2003	6-24-2004	Shareholders Meeting
Asociación de Directivos de BPE	José M ^a Sanz	Director	11-27-1980	6-24-2004	"
Fernández, Francisco		Chief Executive Officer	10-19-2004	10-19-2004	Board of Directors
Ferreira de Amorim, Americo		Director	5-27-2003	6-24-2004	Shareholders Meeting
Gancedo, Eric		Director	6-20-2002	6-24-2004	"
Herrando, Luis		Director	6-21-2001	6-24-2004	"
Molins, Casimiro		Director	11-24-1987	6-24-2004	"
Montuenga, Luis		Director	12-1-1987	6-24-2004	"
Morillo, Manuel		Director	6-23-1999	6-24-2004	"
Nigorra, Miguel		Director	12-19-1974	6-24-2004	"
Rodríguez, José Ramón		Director	12-1-1987	6-24-2004	"
Ron, Ángel		Chairman	Director 3-14-2002, Chairman 10-19-2004	10-19-2004	"
Santana, Vicente		Director	5-27-2003	6-24-2004	"
Sindicatura de Accionistas de BPE	José María Mas	Director	6-28-1988	6-24-2004	"
Solís, Miguel Ángel		Director	12-18-1996	6-24-2004	"
Termes, Rafael		Director	6-30-1964	6-24-2004	"
Valls, Javier		Chairman	Director 7-14-1966, Chairman 4-25-1989	6-24-2004	"
Viñas, Emilio		Director	5-27-2003	6-24-2004	"
Walter, Herbert		Director	4-20-2004	6-24-2004	"

Total number of directors **19**

Directors who left the Board during the year:

<u>Director's name or corporate style</u>	<u>Date of departure</u>
Breipohl, Diethart	04-20-2004
Valls, Luis (*)	10-19-2004

(*) At the Board Meeting of Banco Popular on October 19, 2004, Luis Valls submitted his resignation as a director and Chairman of the Board of Directors. He had been a director of the Bank since 1957 and had occupied the offices of Executive Deputy Chairman (1957-1972), Chairman (1972-1989) and Co-Chairman (1989-2004). He remains as Chairman of the Shareholders Meeting.

B.1.3. Complete the following tables about Board members and their classification:

INTERNAL DIRECTORS

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>	<u>Office in the company's organization chart</u>
Valls, Javier	Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	Chairman of the Supervisory Board
Ron, Ángel	"	Chairman
Fernández, Francisco	"	CEO
Asociación de Directivos de BPE	"	Director

EXTERNAL DOMANIAL DIRECTORS

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>	<u>Name or corporate style of the significant shareholder represented or that proposed appointment to the Board</u>
Ferreira de Amorim, Americo	Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	Topbreach Holding, B.V.
Gancedo, Eric	"	
Molins, Casimiro	"	
Montuenga, Luis	"	
Sindicatura de Accionistas de BPE	"	
Walter, Herbert	"	Allianz Group

EXTERNAL INDEPENDENT DIRECTORS

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>	<u>Profile</u>
Aparicio, Francisco	Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	Lawyer In practice since 1979, currently partner in the international law firm Pinsent Masons, at which he manages the mercantile law department.
Herrando, Luis	"	Doctorate in industrial engineering and economics degree. Worked first at Babcock & Wilcox; joined Induban (Banco Vizcaya) in 1967. Director of companies in the insurance, property and venture capital fields. Honorary President of the Asociación para el Progreso de la Dirección (APD) in northern Spain. Chairman of the Fundación del Instituto de Educación e Investigación, which has a 0.73% shareholding in the Bank and of the Fundación de la Escuela de Ingenieros de Bilbao. Chairman of Popular Banca Privada and director of Banco de Galicia representing Banco Popular.

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>	<u>Profile</u>
Morillo, Manuel	Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	Professional Long professional record in the corporate world, particularly in the textile, property and construction sectors; currently chairman of the Carmen y M ^a José Godó Foundation, one of the leading welfare institutions in Spain (which has a 0.33% holding in the Bank). Significantly involved in welfare projects in cooperation with the Catalunya Autonomous Government and the Spanish Government.
Nigorra, Miguel	“	Businessman and professional Qualified Property Registrar; apart from posts in the Group, has been active in public bodies (Palma de Mallorca Harbor Works Board) and in companies (Mare Nostrum and Inmobiliaria Urbis); chairman of Banco de Crédito Balear and of Habitat Golf Santa Ponsa, S.L., since 1970.
Rodríguez, José Ramón	“	Engineer and businessman Apart from professional practice as a civil engineer, has been an executive and director of textile, food and construction companies; chairman of the Board of Directors of Banco de Vasconia and Banco Popular Hipotecario, and representative of Banco Alcalá on the Board of Banco de Crédito Balear.
Santana, Vicente	“	Businessman Law degree. Stockbroker. Initially in the Barcelona Stock Exchange in 1971. From 1983-1989 continued as a stockbroker in the Madrid Stock Exchange. Director of Sociedad Rectora de la Bolsa de Madrid 1991-1994. Director of Popular Banca Privada.
Solís, Miguel A.de	“	Businessman Very active business involvement, particularly in the property, agriculture/livestock and tourism industries; chairman of Banco de Andalucía and director of Banco de Crédito Balear and Banco de Vasconia; represents the Solís family group which has a 0.91% shareholding in the Bank.

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>	<u>Profile</u>
Termes, Rafael	Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	Academician; doctorate in industrial engineering from Barcelona university and honorary doctorate from Universidad Francisco Marroquín, Guatemala. Full member of the Royal Academy of Moral and Political Sciences and of the Royal Academy of Economic and Financial Sciences; honorary chairman of the Spanish Institute of Financial Analysts; faculty member at IESE since 1958 and director of its Madrid Center from 1991, and subsequently Honorary Chairman. A Board member since 1964 and managing director from 1966 to 1977; chairman of the Spanish Private Banking Association from 1977 to 1990.
Viñas, Emilio	"	Degree in law, MBA at EOI, stockbroker, a profession which he practiced from 1971-1976, also being a member of the Bilbao Stock Exchange governing body and deputy chairman thereof. Continued his professional activity as stockbroker from 1976-1983 and was a member of the Barcelona Stock Exchange governing body. From 1983-1989 continued as a stockbroker in the Madrid Stock Exchange, of whose governing body he is a member.

OTHER EXTERNAL DIRECTORS

<u>Director's name or corporate style</u>	<u>Appointment proposed by</u>
-	-

State why they cannot be considered to be domanial or independent directors:

Detail the changes, if any, during the year in the classification of each director.

<u>Director's name or corporate style</u>	<u>Date of change</u>	<u>Previous classification</u>	<u>Present classification</u>
-	-	-	-

B.1.4. State whether the classification of directors in B.1.3 above matches the distribution envisaged in the Board Regulations.

The classification matches the distribution envisaged in Article 6 of the Board Regulations which states:

"The Board of Directors shall consist of the following categories:

A) Internal or Executive Directors: those with executive powers and senior management functions at the Bank or at any of its investees. The number of directors with executive functions shall not exceed one third of the members of the Board.

B) External Directors, of two types:

b1) Domanial directors: those proposed by owners of significant stable holdings in the capital of the Bank. Having regard to the shareholder structure of the Bank, the category of domanial directors shall include directors that directly or indirectly have holdings of more than 1% in the capital stock of the Bank or that have been designated to represent shareholders holding such percentage of the capital stock.

b2) Independent directors: persons of recognized professional prestige who can contribute their experience and knowledge to corporate governance and who, not being included in either of the two preceding categories, meet the conditions established in these Regulations (Article 15)."

B.1.5. State the powers, if any, delegated to the managing director(s):

Director's name or <u>corporate style</u>	<u>Description</u>
Ron Güimil, Ángel	Chairman
Fernández Dopico, Francisco	CEO

Without prejudice to the higher hierarchical status of the Chairman and of the differing competential scope of action, each of the above may exercise their powers jointly and severally.

Powers delegated:

The powers delegated include all the faculties of the Board of Directors except those which cannot legally be delegated and those stated below, which under Article 4.3 of the Board Regulations cannot be delegated:

- a) The approval of the general strategies, plans and policies of the Bank.
- b) The appointment, remuneration and, as appropriate, removal of the Bank's senior executives.
- c) The control of management activities and the evaluation of the Bank's senior executives.
- d) The identification of the Bank's main risks and, in particular, the implementation and monitoring of the appropriate internal control and information systems.
- e) The establishment of policies relating to reporting to and communication with the shareholders, the markets and public opinion.
- f) The approval of the policy as regards treasury stock.
- g) In general, transactions involving the disposition of substantial assets of the Bank and major corporate operations, and all those specifically envisaged in the Board Regulations.

B.1.6. List the Board members, if any, that are directors or executives of other companies included in the group of the listed company:

<u>Director's name or corporate style</u>	<u>Name of Group company</u>	<u>Office</u>
Fernández, Francisco	Banco Popular France	Director
	Banco Popular Hipotecario	Director
Gancedo, Eric	Banco de Castilla	Representative of the Director BPE
	Banco de Crédito Balear	Representative of the Director BPE
	Bancopopular-e	Chairman
	Banco Popular France	Chairman
Herrando, Luis	Banco de Galicia	Representative of the Director BPE
	Popular Banca Privada	Chairman
Montuenga, Luis	Banco de Andalucía	Representative of the Director BPE
	Banco de Galicia	Director
Nigorra, Miguel	Banco de Vasconia	Representative of the Director BPE
	Banco de Crédito Balear	Chairman
Rodríguez, José Ramón	Banco de Vasconia	Chairman
	Banco de Crédito Balear	Representative of the Director Banco Alcalá
Ron, Ángel	Banco Popular Hipotecario	Chairman
	Popular Banca Privada	Director
Santana, Vicente	Popular Banca Privada	Director
	Banco de Andalucía	Chairman
Solís, Miguel Ángel	Banco de Crédito Balear	Director
	Banco de Vasconia	Director

B.1.7. List the directors of the company, if any, that are directors of other non-Group companies listed on official securities markets in Spain, if and as notified to the Bank.

<u>Director's name or corporate style</u>	<u>Listed company</u>	<u>Office</u>
Molins, Casimiro	Cementos Molins, S.A.	Chairman
	Popularinsa, S.A.	Director
Montuenga, Luis	Popularinsa, S.A.	Chairman
	Unión Europea de Inversiones, S.A.	Chairman

B.1.8. Show in the following tables the aggregate compensation of the directors earned during the year:

a) At the reporting company:

<u>Heading</u>	<u>Thousands of euros</u>
Fixed remuneration	2,016
Variable remuneration	550
Per diems	0
Directors' fees	0
Stock options and/or other financial instruments	0
Other	0
TOTAL:	2,566

<u>Other benefits</u>	<u>Thousands of euros</u>
Advances	0
Loans granted	15,860
Pension plans and funds: Contributions	2,760
Pension plans and funds: Commitments incurred	0
Life insurance premiums	5.20
Guarantees provided by the company to directors	0

b) For membership by Board members of other boards of directors and/or of senior management of Group companies:

<u>Heading</u>	<u>Thousands of euros</u>
Fixed remuneration	0
Variable remuneration	0
Per diems	0
Directors' fees	56
Stock options and/or other financial instruments	0
Other	0
TOTAL:	56

<u>Other benefits</u>	<u>Thousands of euros</u>
Advances	0
Loans granted	792
Pension plans and funds: Contributions	0
Pension plans and funds: Commitments incurred	0
Life insurance premiums	0
Guarantees provided by the company to directors	832

c) Total remuneration by type of director:

<u>Type of director</u>	<u>By company</u>	<u>By group (€ thousand)</u>
Executive	2,566	0
External domanial	0	0
External independent	0	56
Other external	0	0
Total	2,566	56

d) With respect to the attributed income of the parent company:

Total remuneration of directors (€ thousand)	2,622
Total remuneration of directors as % of parent company attributed income	0.33%

B.1.9. List the members of senior management who are not executive directors and show the total remuneration earned by them during the year:

<u>Name</u>	<u>Position</u>
Jesús Arellano Escobar	Commercial & Retail Banking
Santiago Berrocal Enriquez	Specialized Financing
Juan Echanojáuregui Soloaga	Investor Relations
Amadeu Font Jorba	International Business Unit
Roberto Higuera Montejo	Chief Financial Officer
Julio Hortigüela Ayuso	Asset Management
José María Lucía Aguirre	Credit & Risk
José Luis Manso Zorzo	Human Resources
Luis Felipe Marcos García	Regulatory Compliance
Rafael de Mena Arenas	Technical Secretary
Eutimio Morales López	Control & Audit
Tomás Pereira Pena	Legal Counsel
Antonio Ramírez Parrondo	Corporate Development
Ernesto Rey Rey	Treasury
Ángel Rivera Congosto	Human & Technical Resources
Rafael Roca García	Controller
Pablo Romero Moreno-Manzanaro	Commercial Mortgage Unit
Francisco Sancha Bermejo	Sales & Marketing
José Sartorius Álvarez de Bohorques	International Activities
Fernando de Soto López-Doriga	Corporate Affairs
Francisco Javier Zapata Cirugeda	Corporate Counsel

Total remuneration of members of senior management (€000) 4,493.57

B.1.10.State, on an aggregate basis, whether there are guarantee or protective measures in the event of dismissal or changes of control for members of the senior management, including executive directors, of the company or of its group. State whether these contracts have to be notified to and/or approved by the governing bodies of the company or of its group:

Number of beneficiaries	-		
	<u>Board of Directors</u>	<u>Shareholders Meeting</u>	
Authorized by	-	-	
		<u>YES</u>	<u>NO</u>
Is the Shareholders Meeting informed of the arrangements?	-	-	

B.1.11.Describe the process for setting Board members' remuneration and the relevant Bylaw articles:

Article 16 of the Bylaws, amended at the Shareholders Meeting on June 24, 2004, states:

Article 16

"The policy for remuneration of directors shall conform to the Bank's traditional criterion of not remunerating discharge of the office of Board member.

The foregoing rule shall be compatible with receipt of such fees or salaries as may correspond to Board members that render professional or employment services for any other executive, advisory or representation functions, if any, which they perform other than those of supervision, deliberation, and adoption of resolutions that are proper to their status as directors.

Directors with no professional or employment relationship with the Bank shall have no remuneration except for collective and third party liability insurance for their actions as directors."

Article 21 of the Board Regulations copies the above paragraphs and adds the following:

Article 21 - Remuneration

"At the proposal of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee, the Board of Directors shall review the aforementioned policy of directors' remuneration, adopting such measures as it deems appropriate for the maintenance, correction or improvement thereof and, in particular, to conform it, in cases where it may be appropriate to do so, as stated in the preceding paragraphs, to the principles of moderation and relation to the earnings of the Bank.

The remuneration in such appropriate cases shall be transparent. As required by current legislation, the Board of Directors shall state in the annual report and in the annual corporate governance report the remuneration collected by the directors concerned. The annual report, as an integral part of the accounts for the year, shall contain such information as is considered appropriate. In any case, the annual corporate governance report shall disclose the overall remuneration of the Board of Directors under the headings stated in the first paragraph. For these purposes, the remuneration shall be deemed to include the amount of the salaries, per diems and compensation of any kind earned during the year by the Board members for any reason, and the obligations for pensions or life insurance premiums for the former and present members of the Board."

B.1.12.State the names of Board members, if any, that are also Board members or executives of companies with significant shareholdings in the listed company and/or in its Group companies.

<u>Director's name or corporate style</u>	<u>Corporate style of significant shareholder</u>	<u>Office</u>
Herbert Walter	Allianz, A.G.	Director

State the relevant relationships, if any, other than those addressed above, of Board members linking them with the significant shareholders and/or Group entities.

<u>Director's name or corporate style</u>	<u>Corporate style of significant shareholder</u>	<u>Description</u>
Américo Ferreira de Amorim	Topbreach Holding, B.V.	Controlling shareholder

B.1.13.State the amendments, if any, during the year to the Board Regulations:

None in 2004

B.1.14.Describe the procedures for appointment, re-election, evaluation and removal of directors, detailing the competent bodies, the steps to be taking and the criteria to be applied in each such procedure:

These procedures are regulated basically in Article 16 of the Bylaws and Articles 14, 15 and 16 of the Board Regulations.

Appointment

There shall be a minimum of twelve and a maximum of twenty directors, who must be shareholders. The appointment of directors and the determination of their number, within the stipulated limits, shall lie with the Shareholders Meeting.

In the event of directors not serving out their term of office, the Board may co-opt, from among the shareholders, the persons to occupy the vacancies until the following Shareholders Meeting and in all other appropriate cases the Board shall proceed in accordance with the law, the Bylaws and the Board Regulations.

Requirements for appointment

The proposals for appointment and re-election of directors submitted by the Board to the Shareholders Meeting and the decisions to appoint adopted by the former pursuant to its legally assigned powers of co-option must refer to persons who, in addition to meeting the legal and Bylaw requirements for the office of director, are of recognized prestige and have the appropriate knowledge and professional experience for discharge of their functions as such.

Specifically, the directors must be persons of recognized commercial and professional honorability with the appropriate knowledge and experience for the discharge of their functions.

Procedure for appointment and re-election

In any case, the appointment and re-election of directors shall follow a formal and transparent procedure, requiring a prior report from the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee.

The proposals for appointment of directors submitted by the Board to the Shareholders Meeting and the decisions to appoint adopted by the former pursuant to its powers of co-option must be previously reported on by the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee which, if it deems it appropriate, shall present a proposal to the Board of Directors. If the Board rejects the recommendations of this Committee, it must state the reasons for doing so and duly minute them.

The Board of Directors shall consist of the following categories:

A) Internal or Executive Directors: those with executive powers and senior management functions at the Bank or at any of its investees. The number of directors with executive functions shall not exceed one third of the members of the Board.

B) External Directors, of two types:

b1) Domanial directors: those proposed by owners of significant stable holdings in the capital of the Bank. Having regard to the shareholder structure of the Bank, the category of domanial directors shall include directors that directly or indirectly have holdings of more than 1% in the capital stock of the Bank or that have been designated to represent shareholders holding such percentage of the capital stock.

b2) Independent directors: persons of recognized professional prestige who can contribute their experience and knowledge to corporate governance and who, not being included in either of the two preceding categories, meet the conditions insuring their impartiality and objectivity of judgment.

These conditions include the following:

i) That they do not have and have not recently had any material direct or indirect employment, commercial or contractual relationship with the Bank, its executives, its domanial directors or the Group companies whose shareholding interests the latter represent.

For these purposes, the following cannot be proposed or appointed as independent directors: if they have occupied in the last year positions of senior management at the Bank or at the entities mentioned in this section; if they have directly or indirectly made to or received from the Bank payments which might compromise their independence; and, in general, if they have any relationship with the ordinary management of the Bank or are materially linked, for professional or commercial reasons with the executive directors or with other senior executives of the Bank.

ii) That they are not directors of any other company which has domanial directors at the Bank.

iii) That they are not close family relatives of the executive directors, the domanial directors or the members of the Bank's top management team. Close family relatives are defined as the spouse or spousal equivalent, ascendants, descendants, and brothers and sisters, of the director or the director's spouse and the spouses of the director's ascendants, descendants, and brothers and sisters.

If any of the foregoing relationships exists, it must be made known to and evaluated by the Board after receipt of a report from the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee and must be disclosed in the Annual Report.

The Board of Directors shall exercise its powers of proposing appointments to the Shareholders Meeting and of appointment by co-option in such a way that the external directors constitute an ample majority over the executive directors in the Board. Also the Board shall endeavor to insure that the directors as a whole represent a relevant percentage of the capital stock.

Term of office, re-election and evaluation

The term of office of the directors is five years, without prejudice to the requirement for them to offer their resignations each year at the Shareholders Meeting. At the end of this term, the directors may be re-elected for one or more periods of the same maximum duration, at the proposal of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee, evaluating the work done by the director and his effective commitment to the office during the latest period.

B.1.15. Cases in which directors are obliged to resign:

Directors shall resign when the term of office for which they were appointed has elapsed or when the Shareholders Meeting so decides, and in all such other cases as may be applicable by law or under the Bylaws.

Article 16 of the Board Regulations states that directors must offer to resign and, if the Board considers it advisable, must formally submit their resignation in the following cases:

- a) In the case of executive directors, when they cease to occupy the posts to which their appointment as directors was connected.
- b) When they are affected by any of the legally envisaged situations of incompatibility or prohibition.
- c) If their continuation as Board members may negatively affect the functioning of the Board or the standing and reputation of the Bank in the marketplace, or may jeopardize its interests.
- d) In the case of a domanial director, when the shareholders whose shareholdings they represent on the Board dispose of their stake in the Bank.

B.1.16. State whether the Bank's chief executive is also chairman of the board of directors. If so, describe the measures taken to limit the accumulation of powers in a single person:

Yes

No

Measures to limit risks

The flexibility of the structure and the fluidity of information, together with nimbleness in decision making, are characteristics of Banco Popular.

The principle of strict separation of powers has been applied for nearly five decades, inspiring the structure of the Bank in its successive stages.

At present, following the changes in 2004, the Bank has two chairmen: Javier Valls Taberner, Chairman of the Supervisory Board, who has no executive functions, and Ángel Ron Güimil, Chairman of the Executive Committee. They replace each other in the event of absence or illness.

Despite the aforementioned situation, Javier Valls is classified as an internal director in Section B.1.3 since he receives a salary and acts professionally exclusively for the Bank.

As regards executive functions, a broad range of faculties is assigned to the Chairman of the Executive Committee and to the CEO, Francisco Fernández Dopico.

The Chairman of the Bank chairs the Executive Committee and the Credit Committee. The CEO is the reporter of the Executive Committee, of which he is a member, for matters proper to him.

In the split of functions between the Chairman of the Bank and the CEO, regard was had to the nature of Banco Popular's business and the increasing complexity and specialization demanded by the Group's financial activity and international presence. The commercial business and directly related support units report to the CEO, and the areas whose strategic, institutional or external presence nature so demands are the responsibility of the Chairman of the Bank.

B.1.17. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?

Yes **No**

State how the Board adopts resolutions, indicating at least the minimum quorum and types of majority for adoption of resolutions:

Type of resolution	Adoption of resolutions Quorum	Type of majority
<u>Quorum of attendance</u>		
Article 16 of the Bylaws states:		
<i>"The Board of Directors shall be validly convened when those present or represented at the meeting constitute half plus one of its members."</i>		
Article 12 of the Board Regulations states:		
<i>"For the Board of Directors to be validly convened there must be present or represented at the meeting half plus one of the Board members, unless the meeting has not been formally called, in which case the attendance of all Board members is required. If the number of directors attending is uneven, a sufficient quorum will be deemed to exist if those present are more than half of the Directors."</i>		
<u>Quorum for adoption of resolutions</u>		
Article 16 of the Bylaws states:		
<i>"Resolutions shall be adopted by absolute majority of the Directors present."</i>		
Article 12 of the Board Regulations states:		
<i>"Resolutions shall be adopted with the yea vote of an absolute majority of the Directors present or represented at the meeting, save in those cases in which a higher quorum is required by law or by the Bylaws."</i>		
Article 21 of the Bylaws states:		
<i>"Permanent delegation of any power of the Board of Directors to the Chairman, to the Executive Committee or to the CEO, and the appointment of directors to hold these offices shall require, for it to be valid, the yea vote of two thirds of the members of the Board. The same number of votes shall be required for the appointment of local directors, deputy chairmen, managers and general attorneys-in-fact."</i>		
Article 10 of the Board Regulations states:		
<i>"Permanent delegation of any power of the Board of Directors to the Chairman, to the Executive Committee or to the CEO, and the appointment of directors to hold these offices shall require, for it to be valid, the yea vote of two thirds of the members of the Board."</i>		

Finally, Article 12 of the Board Regulations states:

"A ballot without a meeting, whether in writing, by video-conference or by any other electronic means of remote communication, shall only be permitted if no director rejects this procedure and the requirements of the Corporations Law and the Mercantile Register Regulations are complied with."

B.1.18.State whether there are specific requirements, other than those relating to directors, for appointment as Chairman:

Yes No

Description of requirements

Article 16 of the Bylaws states:

"The Chairman of the Board must be a director definitively ratified or elected as such by the Shareholders Meeting."

B.1.19.State whether the Chairman has a casting vote:

Yes No

Matters for which there is a casting vote

-

B.1.20.State whether the Bylaws or the Board Regulations set any age limit for directors:

Yes No

Age limit for Chairman -

Age limit for CEO - Age limit for directors -

B.1.21.State whether the Bylaws or the Board Regulations set a limited term of office for independent directors:

Yes No

Maximum years of term of office -

B.1.22.State whether there are formal processes for the delegation of votes in the Board of Directors and, if so, describe them briefly:

Article 16 of the Bylaws envisages the possibility for directors to appoint another director to represent them at Board meetings.

Article 12 of the Board Regulations states:

"Directors must make every effort to attend Board meetings and, when they cannot do so personally, shall endeavor to appoint another Board member to represent them, with the appropriate instructions. Notification of representation of absent directors may be given in writing by any means, including telegram, fax or e-mail, to the Chairman or Secretary of the Board."

B.1.23.State how many times the Board has met during the year, and also, if appropriate, how often the Board met without the attendance of its Chairman:

Number of Board meetings	5
Number of Board meetings in the absence of the Chairman	0

State how often the various Board committees have met during the year:

Meetings of the Executive Committee	46
Meetings of the Audit Committee	4
Meetings of the Nomination and Remuneration Committee	15
Meetings of the Strategy & Investments Committee	
Meetings of the Credit Committee	47

B.1.24.State whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:

Yes No

State, if appropriate, the person(s) that certified the company's individual and consolidated financial statements for formulation by the Board:

<u>Name</u>	<u>Post</u>
-	-

B.1.25.Describe the mechanisms, if any, established by the Board of Directors to avoid the individual and consolidated financial statements formulated by it and submitted to the Shareholders Meeting containing qualifications in the auditors' report.

These mechanisms include the following:

- a) That the internal services of the Bank prepare the financial statements with special concern to rigorously apply generally accepted accounting principles, endeavoring specifically to insure:
 - that the financial statements give a true and fair view of the net worth, financial position and results of operations and contain the necessary information sufficient for understanding thereof
 - that the financial statements and management report disclose clearly and simply the economic, financial and legal risks that may be incurred
 - that the financial statements are prepared in conformity with generally accepted accounting principles and standards and are consistent with those applied in the preceding year, so as to avoid a qualified opinion thereon by the external auditors.
- b) That the relations of the Board with the external auditors are routed through the Audit and Control Committee.
- c) That this Committee, as its principal task, assists the Board of Directors in its functions of vigilance and control of the Bank by evaluating the system of accounting verification of the Group, by verifying the independence of the external auditors and by reviewing the internal control system.

- d) That at the joint meetings with the external auditors an exhaustive review is requested of sundry sectors of the accounts in order to evaluate the quality of the effort made therein.

For this purpose, Sections 1 and 4 of Article 30 of the Board Regulations states:

"Article 30. Relations with Auditors

1. The relations of the Board with the Bank's external auditors shall be routed through the Audit and Control Committee.

.....

4. The Board of Directors shall endeavor to definitively formulate the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy."

Also, Article 24 of the Board Regulations sets out the rules for organization and functioning of the Audit and Control Committee, which are detailed in Section B.2.3.

B.1.26. Describe the measures taken to insure that the information furnished to the securities markets is conveyed equitatively and symmetrically.

Article 29 of the Board Regulations establishes the measures to insure that the information furnished to the markets is conveyed equitatively and symmetrically.

In this respect, the Board of Directors must adopt the necessary measures to guarantee the transmission to the financial markets of all the information about the Bank required under current legislation and all the information considered relevant for investors.

In accordance with this principle of transparency, the information furnished must be:

- a) Correct and truthful
- b) Conveyed symmetrically and equitatively
- c) Conveyed in useful time

Also, the Board of Directors must supervise that all the information currently required by law from listed companies be provided and specifically the following:

1. Periodic financial public reporting.
2. All material information (events or decisions) by submission to the Spanish Securities and Exchange Commission of the related notification of material events.
3. The annual corporate governance report, including the content required by law and by Bylaw, which shall be notified as a material event and published on the Bank's corporate website.

Also, Section 9 of the internal rules of conduct for Banco Popular Group entities in the sphere of securities markets imposes the following obligations for dissemination of material information:

"9. Material information.

9.1. Definition of material information - For these purposes, material information is defined as any event, decision or agreement relating to the Group, knowledge of which may reasonably affect an investor for buying or selling securities issued by the Group or financial instruments whose underlying element is securities issued by the Group and which, therefore, may appreciably influence the price in a secondary market.

9.2. *Material information, either extraordinary or periodic, must be immediately disseminated to the market by notification to the Spanish Securities & Exchange Commission. Notification to the Spanish Securities & Exchange Commission must be made prior to dissemination by any other means and as soon as the event becomes known, the decision has been adopted, or the agreement or contract with third parties has been signed. The content of the notification of must be truthful, clear, complete and, when so required by the nature of the information, quantified, so as not to give rise to confusion or deceit. In any case, material information must be published for at least one year on the Banco Popular website.*

If the issuer considers that the information should not be publicly disclosed because it affects its legitimate interests, it must so immediately inform the Spanish Securities & Exchange Commission which may dispense it from compliance with this obligation.

9.3. *Form of the communication: The communication of material information to the supervisory bodies shall consist of a heading clearly indicating the type of communication: "Material event", "Periodic material event", "Material decision", or "Other notifications", clarifying in the body of the document whether an event or a decision is involved. Notification shall be made in a format that sufficiently guarantees the authenticity and integrity of the notification, and must include the written or electronic signature of one of the Bank's qualified interlocutors.*

9.4. *Addressees of the material information: The information shall be delivered to the persons designated by the related body as qualified recipients thereof, and sufficient documentary evidence of its presentation is required in all cases.*

In the case of reserved information that the supervisory body must keep confidential, special attention must be paid to verifying that delivery is made personally to the officer specifically authorized to receive information of this kind.

9.5. *For the purposes of making the regulated notifications described in this Section, the qualified interlocutors with the supervisory bodies shall be the Secretariats of the Boards of Directors of the Group entities. However, these offices may permanently or occasionally empower other executives of the Banco Popular Español, S.A., or of the Group entities to transmit information included in the category of "Other communications".*

B.1.27. Is the Secretary of the Board a Director?

Yes

No

B.1.28. Describe the mechanisms, if any, established by the Bank to safeguard the independence of auditors, financial analysts, investment banks and rating agencies:

Article 30 of the Board Regulations establishes measures to safeguard the independence of the external auditors.

This article states that the relations of the Board with the Bank's external auditors shall be routed through the Audit and Control Committee.

The Board and this Committee shall vigilantly monitor any situations which may signify a risk for the independence of the Bank's external auditors.

One of the mechanisms included in Article 30 of the Board Regulations makes it obligatory for the Board to publicly report each year the overall amount of the fees paid by the Bank to the audit firm for services other than audit.

Also, the Board of Directors shall endeavor to definitively formulate the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

As regards rating agencies, the Bank has engaged the services of the three leading international rating agencies, relations with which are handled by the Financial Management Department.

B.1.29.State whether the audit firm has done work for the Bank and/or its group other than audit work and, if so, state the fees received by it for such work and the amount of such fees as a percentage of the fees billed to the Bank and/or its group.

	<u>Yes</u>		No	
	<u>Bank</u>	<u>Group</u>	<u>Bank</u>	<u>Group</u>
Amount (€000) of work other than audit work	73	108		
Amount of non-audit work as % of total amount billed by the audit firm	6.9%	10.4%		

B.1.30.State the number of years for which the present audit firm has uninterruptedly audited the financial statements of the Bank and/or its group, and the number of years audited by the present audit firm as a percentage of the total years for which the financial statements have been audited:

	<u>Bank</u>	<u>Group</u>
Number of uninterrupted years	23	23
Number of years audited by the present audit firm as a % of the years for which audits have been made	91.5%	91.5%

B.1.31. Detail the holdings by members of the Bank's Board of Directors in the capital of companies engaging in activities identical, similar or supplementary to those of the corporate purpose of the Bank or of its group which have been notified to the Bank; and any office or function which they may perform thereat.

<u>Director's name or corporate style</u>	<u>Investee's corporate style</u>	<u>% of ownership</u>	<u>Office or functions</u>
Aparicio, Francisco	Banco de Andalucía	0	-
	Banco de Castilla	0	-
	Banco de Crédito Balear	0	-
	Banco de Galicia	0	-
	Banco de Vasconia	0	-
Asociación de Dir. BPE	-	-	-
Fernández, Francisco	Banco de Andalucía	0	-
	Banco Popular Hipotecario	-	Director
	Banco Popular France	-	Director
	Sistemas 4B	-	Chairman
	Mobipay	-	Director
F. de Amorim, Américo	Millenium bcp	0.07	-
Gancedo, Eric	Banco de Castilla	-	Representing BPE
	Banco de Crédito Balear	-	Representing BPE
	Bancopopular-e	-	Chairman
	Banco Popular France	-	Chairman
Herrando, Luis	Banco de Galicia	0	Representing BPE
	Popular Banca Privada	-	Chairman
Molins, Casimiro	-	-	-
Montuenga, Luis	Banco de Andalucía	-	Representing BPE
	Banco de Galicia	-	Director
	Banco de Vasconia	-	Representing BPE
Morillo, Manuel	-	-	-
Nigorra, Miguel	Banco de Andalucía	0.01	-
	Banco de Crédito Balear	7.69	Chairman
Rodríguez, José Ramón	Banco de Crédito Balear	0.03	Representing B.Alcalá
	Banco de Vasconia	0.01	Chairman
	Banco Popular Hipotecario	-	Chairman
	Popular Banca Privada	-	Director
Ron, Ángel	Popular Banca Privada	-	Director
Santana, Vicente	Popular Banca Privada	-	Director
	Bancoval	3.21	-
Sindicatura de Accs. BPE	-	-	-
Solís, Miguel Ángel de	Banco de Andalucía	0.03	Chairman
	Banco de Crédito Balear	0.02	Director
	Banco de Galicia	0.02	-
	Banco de Vasconia	0.01	Director
Termes, Rafael	-	-	-
Valls, Javier	-	-	-
Viñas, Emilio	Bancoval	3.21	-
Walter, Herbert	Dresdner Bank	-	Chairman
	Allianz AG	-	Director
	Deutsche Börse	-	Director

B.1.32.State and, if appropriate, detail if there is a procedure enabling directors to obtain external advice:

Yes

No

Description of the procedure

All the directors have the right and the duty to request and obtain information and advice appropriate for discharge of their functions of supervision, in the broadest terms, routing their requests in this respect through the office of the Secretary of the Board, which will act either by directly furnishing the information, naming the appropriate interlocutors or arranging the measures enabling them to conduct examination in situ.

Article 20 of the Board Regulations defines the right to obtain assistance from experts by stating that:

"Article 20. Right to obtain the assistance of experts

1. In order to facilitate the work of the directors, the Board of Directors shall guarantee access by them to the services of the Bank's in-house experts.

2. The directors shall be empowered to propose to the Board of Directors the engagement, at the expense of the Bank, of such external advisers as they may consider necessary to advise them on such problems as may arise in the discharge of their office, in the case of specific problems of certain relevance and complexity.

3. The proposal must be conveyed to the Chairman through the Secretary of the Board. The Board may veto by majority vote its approval if it considers the proposal unnecessary, if its cost were disproportionate with respect to the importance of the problem and the assets and revenues of the Bank, and if there is a possibility of such technical assistance being adequately rendered by experts and technicians of the Bank itself."

B.1.33.State and, if appropriate, detail if there is a procedure enabling directors to obtain the necessary information to prepare with sufficient time for meetings of the governing bodies:

Yes

No

Description of the procedure

The Directors have at their disposal information specifically compiled and orientated for preparation with sufficient time of the Board meetings, with no limitations other than those currently legally and regulatorily imposed with regard to privileged information. The information is provided to Directors a variable time in advance, depending on the specific topic. On ordinary subjects, such as results, the information is constantly updated. On extraordinary topics, it is provided sufficiently in advance to permit study or request for further information.

Article 19 of the Board Regulations specifies the Directors' right to information by stating:

"Article 19. Directors' right to information

1. The Directors have very broad powers to demand information on any aspect of the Bank, to examine its books, records and documents, to contact those in charge of the various departments, and to visit the installations and facilities of the Bank, provided that this is necessary for the discharge of their functions.

2. The right to information shall be routed through the Chairman or the Secretary of the Board, who will deal with the requests from Directors either by directly furnishing the information or by identifying the appropriate interlocutors or arranging the measures necessary for conducting examination.

3. The Board may reject the request for information if, in its judgment, the request might prejudice corporate interests, without prejudice to any provisions of the Corporations Law."

B.1.34.State whether there is third party liability insurance for the Directors:

Yes **No**

B.2. Committees of the Board of Directors

B.2.1. List the committees:

<u>Name</u>	<u>Number of members</u>	<u>Functions</u>
Executive Committee	8	Delegated to substitute for and assist the Board See Section B.2.3
Audit and Control Committee	3	To assist the Board in its functions of oversight and control of the company See Section B.2.3
Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	3	To assist the Board in its appointment and remuneration functions and to oversee observance of the rules of governance of the Bank See Section B.2.3
Credit Committee	8	Wide powers for control and analysis of lending and credit transactions See Section B.2.3

B.2.2. Detail all the committees of the Board of Directors and the members thereof:

EXECUTIVE COMMITTEE

<u>Name</u>	<u>Office</u>
Ron, Ángel	Chairman
Valls, Javier	Chairman
Fernández, Francisco	Member
Gancedo, Eric	Member
Herrando, Luis	Member
Montuenga, Luis	Member
Rodríguez, José Ramón	Member
Aparicio, Francisco	Secretary

AUDIT & CONTROL COMMITTEE

<u>Name</u>	<u>Office</u>
Rodríguez, José Ramón	Chairman
De Solís, Miguel Ángel	Member
Gancedo, Eric	Secretary

**NOMINATION, REMUNERATION, CORPORATE GOVERNANCE AND
CONFLICTS OF INTEREST COMMITTEE**

<u>Name</u>	<u>Office</u>
Herrando, Luis	Chairman
Montuenga, Luis	Member
Aparicio, Francisco	Secretary

STRATEGY & INVESTMENTS COMMITTEE

<u>Name</u>	<u>Office</u>
-	-

CREDIT COMMITTEE

<u>Name</u>	<u>Office</u>
Ron, Ángel	Chairman
Fernández, Francisco	Member
Gancedo, Eric	Member
Herrando, Luis	Member
Montuenga, Luis	Member
Rodríguez, José Ramón	Member
Lucía, José María	Reporter
Aparicio, Francisco	Secretary

B.2.3. Describe the rules of organization and operation and the responsibilities of each of the Board committees:

Executive Committee

The regulations of the Executive Committee are included in Article 21 of the Bylaws and Article 23 of the Board Regulations.

The Board of Directors decides the composition of the Executive Committee at any given time and appoints and removes its members, who are in any case obliged to resign when they cease to be directors.

The resolutions appointing members of the Executive Committee require the votes in favor of at least two thirds of the members of the Board of Directors.

Ordinary meetings of the Executive Committee are, in principle, held weekly.

Its resolutions are adopted by absolute majority of the directors present or represented at the relevant meeting.

The resolutions adopted by the Executive Committee are valid and binding without any need for subsequent ratification at a full meeting of the Board, although the Committee reports to the Board the matters discussed and the decisions adopted at its meetings.

The Board of Directors has currently delegated to the Executive Committee all its powers except those which pursuant to the law and to the Article 4.3 of the Board Regulations cannot be delegated.

Audit and Control Committee

The regulations of the Audit and Control Committee are included in Article 21 of the Bylaws and Article 24 of the Board Regulations.

The Audit and Control Committee consists of a minimum of three (3) and a maximum of five (5) directors, and its members are appointed by the Board of Directors, taking into account their knowledge and professional experience, and are removed by the Board at the proposal of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee. Members of the Committee must in any case resign when they cease to be directors.

The Chairman of the Committee and a majority of its members must be non-executive directors.

The Board of Directors appoints the Chairman of the Committee from among its members and also appoints its Secretary, who need not be a member of the Committee; in this latter case the Secretary of the Committee may be the Secretary of the Board of Directors.

The term of office of the Committee members is four years and they can be re-elected for successive 4-year periods, except for the Chairman, who can be re-elected after one year has elapsed since he ceased to be Chairman.

The main task of the Audit and Control Committee is to assist the Board of Directors in its functions of vigilance and control of the company by evaluating its system of accounting verification, by verifying the independence of the external auditors and by reviewing the internal control system.

The Committee must keep the Board of Directors permanently informed about the performance of the functions for which it is responsible.

The Audit and Control Committee should meet as often as may be necessary for the proper performance of its functions and whenever called to meet by its chairman or requested to do so by any of its members; it must hold at least two meetings a year and in any case whenever the Board requests the issuance of reports, the presentation of proposals or the adoption of resolutions within the sphere of its functions.

The Audit and Control Committee may request the presence at its meetings of the company's auditors, and any members of the management team or of the staff called upon to do so must attend, cooperating and providing access to information that may be available to them. The Committee may call for the cooperation of these same persons to carry out work which it considers necessary for the exercise of its functions, and may seek advice from external professionals.

Approval of the proposals made by the Audit and Control Committee requires the yeas of a majority of the members present at the meeting, without prejudice to its obligation to inform the Board of Directors of any nay votes.

Without prejudice to other remits that may be assigned to it by the Board, the Audit and Control Committee has the following responsibilities, including those legally incumbent on it:

- a) Informing the Shareholders Meeting about issues raised by shareholders thereat in matters within its sphere of competence.
- b) Proposing to the Board of Directors for submission to the Shareholders Meeting the appointment of external auditors, the conditions of hiring, the scope of the professional mandate and, when appropriate, the revocation or non-renewal of such mandate. Supervising fulfillment of the audit contract, endeavoring that the auditors' opinion on the financial statements and the main contents of the auditors' report are drafted clearly and accurately.

- c) Supervising the internal audit services.
- d) Serving as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors' recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the financial statements.
- e) Liaising with the external auditors to receive information about any issues potentially jeopardizing the auditors' independence and any other issues connected with the process of performance of the audit, as well as the other communications stipulated in audit legislation and technical auditing standards.
- f) Endeavoring to achieve that the financial statements submitted by the Board of Directors to the Shareholders Meeting do not contain any reservations or exceptions in the auditors' report; if this is not possible, the auditors must publicly explain and in particular to the shareholders the content and scope of the disagreements.
- g) Being cognizant of the company's financial reporting process and internal control systems.
- h) Reviewing the company's financial statements keeping a close watch on compliance with the legal requirements and the correct application of generally accepted accounting principles. Monitoring the functioning of the internal financial control procedures and manuals adopted by the company, checking compliance therewith and reviewing the appointment and replacement of those responsible.
- i) Verifying that all the periodic information offered to the markets is prepared in conformity with the professional principles and practices applicable to the annual financial statements, supervising this information before its public dissemination.
- j) Considering the suggestions that may be made to the Committee by the Chairman or other members of the Board, senior executives or shareholders of the company, as well as reporting and submitting proposals to the Board of Directors about measures which the Committee considers appropriate.

The Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee

The regulations of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee are included in Article 25 of the Board Regulations.

The Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee consists of a minimum of three (3) and a maximum of five (5) directors, and its members are appointed by the Board of Directors, taking into account their knowledge and professional experience, and are removed by the Board at the proposal of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee. Members of the Committee must in any case resign when they cease to be directors.

The Chairman of the Committee and a majority of its members must be non-executive directors.

The Board of Directors appoints the Chairman of the Committee from among its members and also appoints its Secretary, who need not be a member of the Committee; in this latter case the Secretary of the Committee may be the Secretary of the Board of Directors.

The term of office of the Committee members is four years and they can be re-elected for successive 4-year periods, except for the Chairman, who can be re-elected after one year has elapsed since he ceased to be Chairman.

The main task of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee is to assist the Board of Directors in its functions of appointing, re-electing, dismissing and remunerating the directors and the executive management of the company, of endeavoring to insure that the directors receive all the necessary information for the proper performance of their functions, and keeping a close watch on observance of the company's rules of governance and periodically reviewing compliance therewith.

The Committee must keep the Board of Directors permanently informed about the performance of the functions for which it is responsible.

The Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee meets as often as is necessary for the proper performance of its functions and whenever called to meet by its chairman or requested to do so by any of its members; it holds at least two meetings a year and in any case meets whenever the Board requests the issuance of reports, the presentation of proposals or the adoption of resolutions within the sphere of its functions.

The Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee may request the presence at its meetings of any members of the management team or of the staff called upon to do so, who must attend, cooperating and providing access to information that may be available to them. The Committee may call for the cooperation of these same persons to carry out work which it considers necessary for the exercise of its functions, and may seek advice from external professionals.

Approval of the proposals made by the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee requires the yeas of a majority of the members present at the meeting, without prejudice to its obligation to inform the Board of Directors of any nay votes.

Without prejudice to other remits that may be assigned to it by the Board, the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee has the following responsibilities:

- a) Keeping a close watch on the integrity of the process of selection of directors and senior executives of the Bank, endeavoring to insure that candidates are persons who conform to the profile of the vacancy.
- b) Formulating and reviewing the criteria to be followed as regards the composition of the Board of Directors and the selection of candidates.
- c) Submitting to the Board of Directors the proposals for appointment, re-election and termination of directors so that the Board may either directly appoint them by co-option or may accept the proposals for submission to the decision of the Shareholders Meeting.
- d) Submitting to the Board of Directors the proposals for appointment, re-election and termination of the members who should form part of each of the Board Committees.
- e) Submitting to the Board of Directors proposals for the appointment and re-election of members of the senior management and of the supervisory body stipulated in the internal regulations of conduct in the sphere of securities markets.
- f) Examining any suggestions for appointments sent to it by the Chairman, the members of the Board, executives or shareholders of the Bank, evaluating them and reporting on them with criteria of objectivity and impartiality so that the Board may act in full knowledge of all the relevant information.
- g) Reviewing the policy of remuneration of directors and of the Bank's executive management, its senior line managers, regional managers and general managers, and proposing to the Board of Directors the measures which the Committee considers most appropriate for the maintenance, correction or improvement of that policy and, in particular, for adjusting it to the principles of

moderation and linkage with the earnings of the Bank.

- h) Providing guidance to the new directors, warning them of their legal obligations, informing them of the company's rules of governance, and familiarizing them with the characteristics, situation and environment of the company.
- i) Taking care to insure that the directors receive information of sufficient quantity and quality to enable them to adequately perform their functions.
- j) Endeavoring to detect cases in which the relation of a director to the Bank may negatively affect its functioning or its standing and reputation.
- k) Detecting likewise possible conflicts of interest between the directors or senior executives and the company, monitoring compliance with the obligations of discretion and passivity as well as the duties of confidentiality, diligence and loyalty of the directors and senior executives and, where appropriate, of the significant shareholders.
- l) Taking suitable measures to insure that the Board of Directors approves a soundly based annual report on the rules of corporate governance of the Bank.
- m) Checking compliance with the company's rules of governance and formulating the necessary proposals for improving them.

Credit Committee

The regulations of the Credit Committee are included in Article 26 of the Board Regulations.

The Credit Committee is chaired by the Chairman of the Bank and its members include the members of the Board's Executive Committee. The Group's Credit & Risk Manager participates as a reporter. It meets weekly, but may meet more frequently if necessary.

In view of this Committee's nature as an open forum for discussion, it occasionally co-opts other directors and executives when the topics for discussion make it advisable to do so.

This Committee analyzes and decides on all risk requests beyond the delegated powers of the organization. Its authorization is required for all transactions, including market area transactions, that signify for the Group as a whole a risk in excess of €15 million, including in the computation of this figure the aggregate limits of monetary risk and off-balance sheet risks with any one company or economic group. This limit is reduced to €7.5 million in the case of off-balance sheet risks in which the Group's risk represents more than 50% of its debt in the system.

The Committee also establishes general guidelines of risk policy relating to types of transactions, sectors, geographical areas, term and other.

B.2.4. Indicate, where appropriate, the faculties of advice, consultation and delegation, if any, of each of the Committees.

<u>Committee</u>	<u>Description</u>
Executive Committee	See Section B.2.3
Audit and Control Committee	See Section B.2.3
Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee	See Section B.2.3
Credit Committee	See Section B.2.3

B.2.5. State whether there are regulations, if any, for the Board Committees, where the regulations can be consulted, and any amendments thereto during the year. Indicate whether any annual report has voluntarily been prepared on the activities of each Committee.

The Board Regulations contain the rules of internal procedure and functioning of the Board committees. The regulations can be consulted at the Bank's headquarters and on its website www.bancopopular.es.

The Board evaluates each year the quality and efficiency of the work of the Committees and discloses the result of its analysis in the corporate governance report.

There were no amendments to the Board Regulations in 2004.

The functions of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee (Article 25 of the Board Regulations) include examining compliance with the Bank's rules of governance and the formulation of the necessary proposals for the improvement thereof.

Finally, the Audit and Control Committee prepared a report on functions and activities carried out during the year.

B.2.6. If there is an Executive Committee describe its degree of delegation and autonomy in the exercise of its functions for the adoption of resolutions about the administration and management of the Bank.

The Executive Committee presently has delegated to it all the powers of the Board of Directors except those which cannot be delegated by law or by Article 4.3 of the Board Regulations.

B.2.7. State whether the composition of the Executive Committee reflects the participation in the Board of the various directors depending on their category:

Yes

No

The Executive Committee endeavors to reflect the balance existing in the Board of Directors, avoiding inclusion in it of directors who may have business with the Group that could give rise to conflicts of interest.

The Board of Directors currently has nineteen members, of whom four are executive directors, six are domanial directors and nine are independent directors.

The Executive Committee has eight members, of whom three are executive directors, two are domanial directors and the remaining three are independent directors. Thus the percentage of independent directors in the Board of Directors is 47% and the percentage in the Executive Committee is 38%.

The relations between the Board and the Committee are governed by the principle of transparency and the Board has full knowledge of all the matters discussed and the decisions adopted by the Executive Committee.

B.2.8. If there is a Nomination Committee, state whether all its members are external directors:

Yes

No

C RELATED PARTY TRANSACTIONS

C.1. List the material transactions involving a transfer of resources or obligations between the Bank or its group entities and the Bank's significant shareholders.

<u>Name or corporate style of the significant shareholder</u>	<u>Name or corporate style of the company or entity in its group</u>	<u>Nature of the relationship</u>	<u>Type of transaction</u>	<u>Amount (€000)</u>
-	-	-	-	-

With respect to significant shareholders, the transactions of this kind of Banco Popular during 2004 were confined to those with Allianz which, in any case, were performed on an arm's length basis.

C.2. List the material transactions involving a transfer of resources or obligations between the Bank or its group entities and the Bank's directors or executives:

<u>Name or corporate style of the director or executive</u>	<u>Name or corporate style of the company or entity in its group</u>	<u>Nature of the relationship</u>	<u>Type of transaction</u>	<u>Amount (€000)</u>
-	-	-	-	-

The transactions with members of the Board of Directors and the senior management of the Bank were performed in the ordinary course of its business and at arm's length.

The overall amount of the direct and indirect risks granted by the Bank to the directors as a whole as of December 31, 2004, was €62,593 thousand of which €61,042 thousand related to credits and loans, €174 thousand to trade discounts, €198 thousand to financial lease transactions and €1,1790 thousand to guarantees. The interest rates on the trade discounts ranged from 3.84% to 6.58%, on the credits and loans from 2.00% to 6.49% and the quarterly guarantee fees from 0.25% to 1.00%.

At December 31, 2004, the amount of the direct and indirect risks with the executives listed in Section B.1.9 was within the general criteria for assumption of risks with Group employees.

C.3. List the material transactions by the Bank with other companies in its group which are not eliminated in the process of preparation of the consolidated financial statements and were not performed in the ordinary course of the Bank's business as regards their purpose and conditions:

<u>Name or corporate style of the company or entity in its group</u>	<u>Description of transaction</u>	<u>Amount (€000)</u>
-	-	-

None in 2004

C.4. State the situation of conflicts of interest, if any, involving directors of the Bank, pursuant to Article 127 ter of the Corporations Law.

On a general basis no situations of conflict were observed involving directors of the Bank that might affect the discharge of their office.

However, in cases in which transitory conflict of interests situations arose (appointments, re-elections, loans to directors, etc.) the directors concerned refrained from intervening in the deliberations and from participating in the voting by the Board of Directors or its Committees.

C.5. Detail the mechanisms in place for detecting, determining and solving possible conflicts of interests between the company and/or its group and its directors, executives or significant shareholders:

As regards the directors, Article 18.2.3 of the Board Regulations states:

"Conflicts of interest: the Directors must notify the Board of any situation of direct or indirect conflict which they might have with the interests of the Bank. In the case of a conflict, the Director concerned must refrain from intervening in the transaction to which the conflict refers.

In any case, situations of conflict of interests involving Directors of the Bank must be disclosed in the annual corporate governance report."

In turn, Section 5 of the Internal Regulations of Conduct for Banco Popular Group entities in the sphere of securities markets states that the following information must be provided by the directors and employees with respect to conflicts of interest.

"5.1. Declaration of links of persons subject hereto.- In order to control and, as far as possible, prevent possible conflicts of interest, the persons subject hereto must permanently have on file with their entity, and keep updated, a declaration on Form OV-2, identifying their economic, family or other links with customers of the entity for services related to the securities market or listed companies.

...

5.1.3. This declaration must include, in addition to the aforementioned economic and family links, any other links which, in the judgment of an external fair-minded observer, might compromise the impartial behavior of the persons subject hereto. If there is reasonable doubt in this respect, the persons subject hereto should consult the oversight body.

5.2. Avoidance of conflicts of interest.- The persons subject hereto must endeavor to avoid conflicts of interest and, if they are personally affected thereby, must refrain from deciding or, if appropriate, casting their vote in such situations as may arise.

5.3. Additional information about links of the persons subject hereto. The oversight body may at any time, either occasionally or periodically, call for any information it considers necessary about the links of the persons subject hereto in order to make it possible for it to comply with its reporting or other obligations pursuant to the Securities Market Law and implementing regulations.

With regard to the mechanisms in place for possible conflicts of interest with significant shareholders, Article 28 of the Board Regulations states:

"Article 28. Relations with significant shareholders

1. *The Board of Directors formally reserves to itself cognizance of any direct or indirect transaction between the Bank and a significant shareholder, giving due value to the equality of treatment of the shareholders and market conditions.*
2. *The Board of Directors must adopt the necessary measures to avoid significant shareholders making use of their privileged position to obtain special advantages."*

With respect to the competences of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee, Article 25 of the Board Regulations states:

"m) Detecting also possible conflicts of interest between directors or senior executives and the Bank, insuring fulfillment of the obligations of discretion and passivity and of the duties of confidentiality, diligence and loyalty of the directors and, if appropriate, of the significant shareholders."

D RISK CONTROL SYSTEMS

D.1. General description of the risks policy of the company and/or its group, detailing and evaluating the risks covered by the system and justifying the adequacy of the systems for the profile of each type of risk.

The Group pays strict attention to maintaining at all times a prudent and balanced risk profile appropriate to the organization's experience and capacity, conserving the basic objectives of solvency, profitability and adequate liquidity.

The risk policy is a synthesis of strictly professional criteria for the study, assessment and assumption of risks by all the entities comprising the financial group, which are conducive to maximization of the risk/profitability concept inherent to assets, with recognition of doubtful items and writeoff of bad debts when they arise, and the booking of provisions for the necessary amount.

The Group's signs of identity match the permanent policies of management and commercial activity.

Noteworthy in Risk Management, as signs of identity and management criteria, are those relating to:

- a) Maximum asset soundness.
- b) Growth with profitability.
- c) Nimble response in deciding on proposed transactions, as a basis competitive instrument.
- d) Professionalism of staff and in decision processes.
- e) Objective-orientated flexibility in the organizational structure.
- f) Preference for the domestic retail and SME market

The Group has in place risk control systems covering the entire range of its activities, which basically consist of the commercial banking business. These systems address credit or counterparty risk, market risk, liquidity risk and reputational risk, and embody formal procedures for authorization, monitoring and control, which are applied in a way consistent with the nature and amount of the risks and under the supervision, as appropriate, of collegiate decision-making bodies, specifically the Credit Committee for credit or counterparty risk, and the General Management and the Assets and Liabilities Committee for market and liquidity risk.

These systems are adequate for the nature of its activity and for the structure and amount of the risks assumed, and conform to the Group's risk profile.

D.2. State the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

The analysis and control systems currently in place are described in the following paragraphs.

Credit risk analysis

The Group has established a formal system of attributions for the extension of credit, under which the various hierarchical levels in the organization have been assigned delegated powers for the authorization of transactions, which vary depending on the nature and amount of the risk assumed.

For these purposes, the steps in the organization in the commercial banking area, which accounts for substantially all the Group's business, are as follows: first, the branch office, followed by the management of the region or area to which the branch belongs or by General Management in the case of the banking and other subsidiaries, then the Retail Banking Office, then the Group's Credit Office and, finally, the CEO. To each of these levels is delegated a specific limit of powers for the assumption of risks.

The initiative to undertake a new transaction always starts at a branch office: for decision there if within its attributions, or for reporting and passing to the next higher step, if it exceeds those attributions. The same process applies at the following levels, and thus the biggest transactions will have been evaluated

throughout the chain of attributions. No other office or area in the Group, regardless of the hierarchical level of its management personnel, is empowered to make, nor even to propose, risk transactions outside the established circuit.

In the other areas of business, the procedure is similar: risk assumption proposals originate in the relevant operating office, which likewise has decision-making powers delegated to it. Above this office, the transaction travels with its preliminary reports to the Credit Office and, if beyond its powers, to the CEO.

Transactions above the attributions assigned to the CEO are ultimately submitted to the Credit Committee, the membership and functioning of which have been described earlier in this report.

Risks with related parties such as transactions with members of the Board or executive management or with companies related to them, and with Group companies, are expressly excluded from the foregoing delegated powers, and can only be authorized by the Executive Committee or the Credit Committee, regardless of the amount involved.

Credit risk monitoring and control

The Group has had in place for many years a reliable and effective permanent credit risk monitoring system, which enables it to evaluate risk quality at borrower level and for all risks classified by different attributes. This makes it possible to establish mechanisms of special watchfulness about the evolution of certain customers and their operations and to take early preventive measures for current risks in the event of potential situations of difficulty. As a result of this system, the quality of the Group's risk assets is high, and the level of nonperforming balances is traditionally lower than the average for the industry.

The monitoring methodology is based fundamentally on the analysis of a set of variables relating to transactions and to customers, in order to detect possible anomalous deviations in their behavior.

For this purpose, the Group has a Risk Prevention Office in each of its territorial management units and banking subsidiaries, and a similarly named unit with the same remit at headquarters, engaged exclusively in systematically and periodically carrying out monitoring tasks, thereby assuring appropriate efficiency of the procedure.

The first level of monitoring starts with a report called an "Incident Report", which is sent daily to the territorial offices. This report records all the defaults and incidents, detailing the amount and nature (past-due credit accounts, overruns, overdrafts, nonpayment of trade discounts, loan repayments not made at maturity, etc.).

In parallel, the Control and Audit Area performs monthly analyses of customers with incidents, based on the performance of a set of pre-determined risk parameters. Based on this "technical alert" information, plus additional financial or other documentation relating to the customer, Risk Prevention classifies the borrowers.

The classification system is two-fold: on the one hand, it assesses the overall quality of the risk of the customer; on the other, it proposes the policy to be followed as regards the contractual risks.

The combination of this two-fold classification depending on the circumstances of each case analyzed is inserted graphically in the borrower's file by a teleprocessing application that includes all the positions with the customer, thus simply and clearly transmitting the customer's classifications for consideration in risk-related decisions.

This system based on technical alerts is supplemented by the analyst's report. This is a system included in the file mentioned above which, by means of responding to a series of questions about the evolution of the customer, of the customer's risks and incidents, the balance sheet situation, guarantees, etc., makes it possible to summarize the policy to be followed and to take the necessary actions for the satisfactory outcome of the risks. These reports are produced at all decision-making levels and as often as may be necessary in the light of the incidents, alerts, new risk proposals, etc.

In addition to individual evaluation by customer and transaction, the structure of the loans and discounts is continuously analyzed, having regard to their distribution by amount, term, sector of activity, type of transaction, geographical area and other attributes as considered relevant. The Group maintains a satisfactory diversification of its risks on the basis of a large number of attributes, in excess of that required under current regulations. In particular, it is important to highlight that no single customer or set of customers constituting an economic group reaches any of the concentration limits stipulated by the Bank of Spain.

Management of nonperforming balances

Units to perform this function in the Group exist at each of the territorial headquarters and banking subsidiaries, and also at headquarters level. The fundamental objective of these units is to recover the balances classified as nonperforming as quickly as possible and in the best possible conditions.

Initially, use is made of the out-of-court route by means of direct negotiation with the debtors or by engaging the services of prestigious collection entities. If this amicable course of action is not sufficient, recourse is had to the courts, and for this purpose the Group has in-house specialist lawyers, supplemented by an extensive network of external legal practitioners throughout Spain, if and as necessary.

For adequate management of nonperforming balances, the Group has an internal computer application, integrated in the teleprocessing system, which permits punctual and precise monitoring of the evolution of all delinquent risks and, in particular, of the legal proceedings initiated to reclaim its receivables.

Market risk monitoring and control

The Group has had since 1997 an Assets and Liabilities Committee (ALCO), the functions of which include analysis and control of market risk. This Committee is chaired by the Chairman of the Bank and its members are the CEO and four other Group executives. The Committee sets short- and medium-term policies for managing the aggregates of assets and funds, examines financing transactions in the money and capital markets (issues, asset securitizations and other), and analyzes the impact on the balance sheet and the net interest margin of differing scenarios of interest rate movements. Determination of market risk limits for the Group is the responsibility of the General Management, at the proposal of the Financial Management Unit.

In order to adequately manage market risk, the Group has in place a set of instruments: analysis of the interest rate repricing gap with dynamic simulations of the balance sheet; daily calculation of the VaR for all markets area activities with a 99% level of confidence; back testing to check the validity of the models used; stress tests to evaluate the impact of a possible adverse evolution of the markets; and others.

Liquidity risk monitoring

The Assets and Liabilities Committee (ALCO), as described above, is also responsible for controlling this risk, and for this purpose it has available formal procedures for analyzing and monitoring the Group's overall liquidity, including contingency plans for possible deviations in liquidity due to internal causes or to external events.

The ALCO drafts proposals for the limits on recourse to the money markets and for transactions in the capital market - issues of debt and of preferential participating interests, and other long-term instruments such as asset securitizations. These proposals are laid before the Executive Committee for decision.

The ALCO supervises compliance with the foregoing limits of financing in the money market and with the sublimits by transaction term. It also monitors the Euromarket note program (EMTN) issues and all other transactions in the capital market.

In the same way as explained for interest rate risk, the ALCO has balance sheet analysis instruments to determine the liquidity gap at different terms, to make dynamic simulations of its behavior under different scenarios and to adequately control the Group's liquidity.

Operational risk monitoring

The Banco Popular Group has adopted the definition of operational risk in the new Basel Accord: "the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events". The Group's overall management of this risk includes the design of procedures to identify, monitor and control it, in order to mitigate its impact on the organization. For this purpose, qualitative and quantitative tools are being developed to measure the frequency and impact of operational risk events and improve the controls and coverage in the areas of greatest exposure, and the necessary contingency plans are being drafted to insure continuity in operations.

Reputational risk monitoring

The Regulatory Compliance Office, which reports functionally to the Audit and Control Committee, keeps a close watch on the Group entities' permanent conformity with current legislation, and for this purpose identifies, evaluates and prevents possible risks of material breach from the economic or reputational standpoint which might arise in connection with laws and regulations, codes of conduct and standards of good practice, especially as regards business activities, prevention of money laundering and financing of terrorism, conduct in the securities markets, and data privacy and protection. It also analyzes and promotes the development of the systems in place for staff training in these areas.

In this respect, it identifies and assesses risks of non-compliance associated with the Bank's business activities, even with regard to the development of new products and business practices, insuring respect for the regulations on transparency and customer protection.

The Risk Management section of the 2004 Management Report describes at length the structure and composition of the risks assumed by the Group, the coverage therefor, and the resulting risk quality measures.

D.3. If any of the risks affecting the company and/or its group had materialized, describe the circumstances which caused them and state whether the established control systems have worked.

The risks affecting the Group, which have been extensively described in the preceding Sections are assumed as the risks proper to the activities carried out by the Group entities, and the established control systems have in all case functioned adequately.

D.4. State whether there is any committee or other governance body responsible for establishing and supervising these control mechanisms and detail the functions thereof.

Sections D.1 and D.2 describe the collegiate bodies responsible for supervising the Group's risk control systems for all the activities carried out and detail the functions assigned to each of them.

The Audit and Control Committee assists the Board of Directors in its functions of vigilance and control of the Bank by reviewing the internal control systems.

D.5. Identification and description of the processes for compliance with the regulations affecting the company and/or its group.

The Bank has in place a set of internal standards and procedures of action in all its fields of activity which conform fully to all current legislation and to the ethical and corporate governance standards applicable to it.

E SHAREHOLDERS MEETING

E.1. State the quorums stipulated by the Bylaws for the Shareholders Meeting and describe how they vary from the system of minimum quorums in the Corporations Law.

Article 13 of the Bylaws sets the following quorums for the Shareholders Meeting:

"Article 13

The Shareholders Meeting shall be validly convened at first call if the shareholders present or represented by proxy own at least 25% of the subscribed voting capital stock. At second call the Meeting shall be validly convened regardless of the percentage of capital in attendance.

....

For a General or Extraordinary Shareholders Meeting to validly adopt a resolution for the issuance of debentures, the increase or reduction of capital, the transformation, merger or spin-off of the company and, in general, any amendment to the Bylaws, there must be present at first call shareholders or proxies owning at least 50% of the subscribed voting capital. At second call, the presence of 25% of said capital shall be sufficient."

The quorums indicated do not diverge in any way from the system of minimum quorums per the Corporations Law.

E.2. Explain how corporate resolutions are adopted, and describe any difference from the system per the Corporations Law:

As regards the majorities needed for the adoption of resolutions by Ordinary and Extraordinary Shareholders Meeting, Article 13 of the Bylaws states that the provisions of the Law shall apply in all cases.

Accordingly, resolutions shall be adopted by majority of the votes cast, since the provisions of Article 93.1 of the Corporations Law shall be applicable; this article states:

"Article 93. Shareholders Meeting

1. The shareholders, duly convened as the Shareholders Meeting, shall decide by majority on the matters proper to the competence of the Meeting."

As an exception, Article 13 of the Bylaws states:

"Article 13. For an Ordinary and Extraordinary Shareholders Meeting to validly resolve the issuance of debentures, the increase or reduction of capital, the transformation, merger or spin-off of the Bank and, in general, any amendment to the Bylaws when there are present at second call shareholders representing less than 50% of the voting capital stock, such resolutions can only be validly adopted with the yea vote of two thirds of the capital stock present or represented at the Meeting."

Finally, Article 13 of the Bylaws also states:

"Article 13. As regards the majorities needed for the adoption of resolutions by Ordinary and Extraordinary Shareholders Meetings,..... if the Meeting has been called at the request of shareholders representing at least 5% of the capital stock, the yea vote of two thirds of the capital stock present or represented by proxy shall be required."

The quorums indicated do not diverge in any way from the system of minimum quorums per the Corporations Law, except for the last one which is not addressed in current legislation.

Article 28 of the Shareholders Meeting Regulations establishes the system of voting on resolutions proposed at Shareholders Meetings.

E.3. List the rights of shareholders in regard to Shareholders Meetings which differ from those per the Corporations Law:

The rights of shareholders in regard to Shareholders Meetings are those established in the Corporations Law.

The Ordinary Shareholders Meeting on June 24, 2004, resolved to regulate by bylaw the delegation and exercise of voting rights at Shareholders Meetings by systems of remote communication, in conformity with the new wording of Article 105.4 of the Corporations Law, and the shareholders' right to information in conformity with the new wording of Article 112 of that Law.

Following are the main rights of shareholders in respect of Shareholders Meetings:

Right to information. From the date of publication of the notice of the Shareholders Meeting until the seventh day prior to the date set for it, shareholders may request from the Board of Directors such information or clarifications as they consider necessary about the items on the agenda, or may submit in writing such questions as they consider pertinent.

During the course of the Shareholders Meeting, shareholders may orally request whatever information or clarification they consider appropriate about the items on the agenda.

The Board of Directors will provide the information unless, in the opinion of the Chairman, public disclosure of the information requested would prejudice the interests of the Bank. This exception will not apply if the request is supported by shareholders representing at least one fourth of the capital stock.

If the shareholders' right to be informed during the Shareholders Meeting cannot be satisfied, the Board of Directors will furnish the information in writing within seven days from conclusion of the meeting.

Right of attendance. Shareholders Meetings may be attended by shareholders owning at least 0.1% of the capital stock. Shareholders owning less than that percentage may group together in order to reach the stipulated minimum or may arrange to be represented by another shareholder that is entitled to attend.

Right to be represented. Shareholders entitled to attend may arrange to be represented at the Shareholders Meeting by another shareholder or by their spouse, ascendants or descendants, or by a person holding a general power of attorney executed in a public instrument who is empowered to administer all the assets of the represented shareholder in Spanish territory.

The representation may be granted by means of remote communication that meet the legally stipulated requirements, pursuant to Article 15 of the Bylaws.

Right to vote and adoption of resolutions. Shareholders present or represented at the meeting may exercise their right to vote on the resolutions proposed to it.

Resolutions at Shareholders Meetings will be adopted by the legally stipulated majorities, on the basis of one vote per share.

Universal participation. Remote voting. The vote on the proposals included on the agenda of any type of Shareholders Meeting may be delegated or cast by the shareholder by mail, electronically, or by any other means of remote communication, provided that the identity of the person exercising his right to vote is duly guaranteed, in the terms set forth in the Shareholders Meeting Regulations and implementing rules approved by the Board of Directors.

For this purpose, the Ordinary Shareholders Meeting on June 24, 2004, empowered the Board of Directors to develop and supplement the regulations on the delegation and exercise of the right to vote by systems of remote communication established in the Shareholders Meeting Regulations, having regard to the technical and legal conditions making it possible, and also to determine, depending on the state and security of the communications, the time from which shareholders may cast their vote by these systems.

The proxy form, containing sufficient information about the matters proposed for adoption by the Shareholders Meeting, is intended to insure the participation of the shareholders, including institutional shareholders, by enabling all of them to exercise their right to vote by signifying their intention of vote on each of the resolutions submitted to the meeting in the agenda. The completed proxy forms may be handed in at the nearest branch of the Bank or can be sent by post to the Shareholders Office at José Ortega y Gasset 29, 28006 Madrid.

E.4. Describe the measures, if any, adopted to encourage participation of shareholders at Shareholders Meetings:

Pursuant to Article 27 of the Board Regulations, it falls to the Board of Directors to determine the appropriate channels for ascertaining the proposals which shareholders may make in connection with management of the Bank. In this respect:

- a) The Board will deal, with the greatest diligence and in any case within the legally stipulated periods, with the requests for information and enquiries from shareholders either before the Shareholders Meeting or thereat.
- b) The Board will establish the necessary mechanisms for proxy voting or voting by mail, electronically or any other means of remote communication, provided that the identity of the shareholder is duly guaranteed.
- c) The Board will implement appropriate procedures to ascertain the proposals of shareholders about the management of the Bank.
- d) The Board may organize briefings about the progress of the Bank and its Group for shareholders resident in the most important financial centers in Spain and abroad.

The following paragraphs describe some of the principal measures aimed at encouraging the participation of shareholders at Shareholders Meetings:

Approval of Shareholders Meeting Regulations. The Shareholders Meeting Regulations, adopted by the Shareholders Meeting on June 24, 2004, contain rules intended to encourage the participation of the shareholders in the life of the Bank, to facilitate their access to corporate information, and to strengthen the safeguard of shareholders' interests in the governance of the Bank.

Open Meeting. The principles that have shaped the modus operandi of the Shareholders Meetings, and particularly Ordinary Meetings, include most notably their nature as an open meeting, with a policy of transparency, promptness, objectivity and depth of the information to shareholders whereby the annual information to the shareholders customarily starts to be disseminated at the end of January of each year and formally ends with the holding of the Shareholders Meeting. Shareholders thus have a long period of time in which to request clarification, to make inquiries and to submit proposals.

Right to information. Without prejudice to the shareholders' right to information pursuant to Article 112 of the Corporations Law and Article 14 of the Shareholders Meeting Regulations, under Article 6 of the latter Regulations the shareholders may make inquiries, suggestions and comments of interest for the Bank.

Whenever possible, the Bank will reply directly in writing to shareholders, either individually or collectively, as soon as possible and not later than seven working days, unless the data required for the response cannot be obtained within that period, and will publish on the corporate website the replies, either globally or on an individualized basis, whose general interest makes it appropriate to do so, with the intention that any response furnished should be generally known and made available to all shareholders without giving privileged treatment to the shareholder that requested the information. With this same intention, and if considered appropriate, the Bank may deal with these issues, either globally or on an individualized basis, at the Shareholders Meeting, even if they were not included on the agenda.

Similarly, the shareholders may pose such questions as they consider appropriate, particularly with respect to all the information made public by the Bank and from the date of publication, and such questions shall be answered and the replies disseminated in accordance with the rules described in the preceding section. In this respect, the Bank will endeavor to maintain its tradition practice of publishing the relevant financial information of the year during the first month of the following year.

Finally, as indicated in Article 15 of the Shareholders Meeting Regulations, in order to facilitate the most active contribution possible of institutional investors and significant direct or indirect shareholders in the formation of the corporate will, the Bank will offer them the possibility of publicizing on its corporate website their policy of participation or not in the Shareholders Meeting and how they would vote on each of the items on the agenda thereof.

The questions posed by shareholders were published in a leaflet which in addition to being publicly distributed, is publicly available on the corporate website.

Use of the various channels of information to shareholders. Pursuant to Article 7 of the Shareholders Meeting Regulations the Board of Directors will establish the channels necessary to facilitate communication between the shareholders and the Bank.

In any case, the Bank will make available to the shareholders at least the following channels of information:

- The Shareholders Office, where the available information may be consulted.
- A telephone number for direct contact with the Shareholders Office that will be notified in the notice calling the Shareholders Meeting, for shareholders to request the related information.
- The Bank's website.

The corporate website. The corporate website www.bancopopular.es contains the applicable legally and regulatorily required information, including most notably:

- a) General information about the Bank, including its Bylaws, relevant facts, channels of communication with it, its capital and number of shares, dates of interest for shareholders, dividends and public offerings of shares.
- b) Economic and financial information.
- c) Information about corporate governance of the Bank, including the Shareholders Meeting Regulations, information about the Shareholders Meeting and the Board of Directors and its committees, the Board Regulations, the Annual Corporate Governance Report, and the Internal Rules of Conduct in the sphere of securities markets.

The website also includes the Bank's replies to the questions and requests for information from shareholders, pursuant to Article 6 of the Shareholders Meeting Regulations and, if appropriate, the statements made to the Bank by its institutional and domanial shareholders, pursuant to Article 15.

As regards the conduct of Shareholders Meetings, after the publication of the notice of a Shareholders Meeting, the corporate website announces:

- a) the notice
- b) the complete contents of all the resolutions proposed to the Shareholders Meeting
- c) all the documentation relating to the proposed resolutions (financial statements, directors' reports, reports of independent experts, etc.)

After the Shareholders Meeting has been held, the markets are informed by publication of a significant event notice and the corporate website reports the resolutions adopted at the last Shareholders Meeting.

Notice of Shareholders Meetings. To give shareholders sufficient time to request and obtain supplementary information on the items on the agenda, or to issue their voting instructions, the Board of Directors will endeavor to announce the Shareholders Meeting sooner than legally required and to insure that the announcement is published in a greater number of news media than the legally imposed minimum, unless this is not possible for reasons of urgency or other circumstances beyond the control of the Board.

Information about the criteria of corporate governance and observance thereof. The Board has drafted since 1998 an annual corporate governance report which sets forth in an orderly manner the principles guiding the Bank's actions in this respect.

E.5. State whether the Chairman of the Shareholders Meeting is also Chairman of the Board of Directors and, if appropriate, detail the measures to guarantee the independence and sound functioning of the Shareholders Meeting:

Yes **No**

Measures adopted

Without prejudice to the relevant Bylaw provisions, the Shareholders Meeting on June 24, 2004, approved specific regulations for the Shareholders Meeting which contain adequate measures to guarantee the sound functioning thereof.

E.6. Describe the changes, if any, in the Shareholders Meeting Regulations in 2004:

None in 2004

E.7. Detail the figures of attendance at the Shareholders Meetings held during the reporting year:

<u>Date of Meeting</u>	<u>% of physically present</u>	<u>Attendance</u>			<u>Total</u>
		<u>% of proxy</u>	<u>% of remote voting</u>		
6-24-2004	0.94%	45.94%	-		46.88%

Of the 45.94% of the capital stock of the Bank represented at the Shareholders Meeting, 19.56% corresponded to capital which is habitually represented by members of the Board of Directors.

E.8. Summarize the resolutions adopted at the Shareholders Meetings during the reporting year and the percentage of yea and nay votes and abstentions:

Shareholders Meeting on 6-24-2004:

<u>RESOLUTIONS ADOPTED</u>	<u>Yea votes</u>	<u>Nay votes</u>	<u>Abstentions</u>
Approval of financial statements (balance sheet, income statement and notes to the financial statements) and management report of Banco Popular Español, S.A., and its consolidated group, of the proposed allocation of income and of management of the business for 2003.	99.79%	0.08%	0.14%
Appointment, ratification and re-election of directors.	99.02%	0.14%	0.85%
Re-election of auditors for review and legal audit of the financial statements of the Bank and consolidated.	99.95%	0.01%	0.05%

<u>RESOLUTIONS ADOPTED</u>	<u>Yea votes</u>	<u>Nay votes</u>	<u>Abstentions</u>
Amendment of Articles 14 and 15 of the Bylaws to conform to Law 26/2003 on Transparency of Listed Corporations, regarding the delegation or exercise of voting rights at Shareholders Meetings by remote communication systems and the right to information, and of Article 15 on the composition of the presiding officers at the Shareholders Meeting; of Article 16 on the number and remuneration of directors; of Articles 16 and 18 to introduce the post of Deputy Secretary of the Board; of Article 21 to conform to Law 44/2002 regarding the Bylaw regulation of the Audit and Control Committee, and of the First Transitory Provision regarding the composition of the presiding officers at Shareholders Meetings.	99.08%	0.01%	0.91%
Approval of the Shareholders Meeting Regulations; information to the Shareholders Meeting about the Board Regulations.	98.86%	0.68%	0.47%
Authorization to acquire shares of treasury stock in accordance with legal conditions, and to cancel them against equity and therefore reduce capital stock, up to a limit of 5% of capital.	99.23%	0.66%	0.12%
Transfer from unrestricted reserves to a special allowance for the financial requirements arising from possible extraordinary early retirement plans, for the amount and on the conditions as may be authorized by the Bank of Spain.	92.33%	7.16%	0.51%
Delegation of powers in the Board of Directors, with authorization for substitution, for the formalization, interpretation, correction and fullest possible execution of the resolutions adopted by the Shareholders Meeting.	99.92%	0.02%	0.06%

E.9. State the number, if any, of shares required for attendance at the Shareholders Meeting and if there is any bylaw restriction.

Per Article 14 of the Bylaws, Shareholders Meetings may be attended by shareholders owning at least 0.1% of the capital stock. Shareholders owning less than that percentage may be represented by another shareholder entitled to attend or by any of those grouped together in order to reach the stipulated minimum.

E.10. Indicate and justify the policies applied by the company regarding proxies for voting at Shareholders Meetings.

Proxy forms are intended to facilitate the participation of shareholders by enabling all of them to exercise their right to vote by signifying their intention of vote on each of the resolutions submitted to the meeting in the agenda.

Proxy forms include not only the agenda of the Shareholders Meeting but also a specific section for the shareholder to give instructions about his intention of vote.

Finally, the proxy form states that if no voting instructions are given, it will be understood that the vote will be in favor of the proposals submitted by the Board of Directors, and if the shareholder granted the proxy is not expressly stated, it will be understood that the proxy is granted to the Chairman of the Shareholders Meeting or to the presiding officer designated by him.

As regards remote voting, when this system is implemented the Board of Directors will issue the procedures adopted by the Bank for the exercise of the voting rights by electronic and other remote means of communication.

E.11.State whether the Bank is cognizant of the policy of the institutional investors about whether or not to participate in the decisions of the Bank:

Yes

No

Description of the policy

Per Article 15 of the Shareholders Meeting Regulations, in order to facilitate the most active contribution possible of institutional investors and significant direct or indirect shareholders in the formation of the corporate will, the Bank offers them the possibility of publicizing on its corporate website their policy of participation or not in the Shareholders Meeting and how they would vote on each of the items on the agenda thereof.

E.12.State where the corporate governance material is included on the website and how it can be accessed:

The Bank's corporate website is www.bancopopular.es and on the home page there is a section called "Legal information for shareholders and investors" which contains all the information about the corporate governance of the Bank.

F COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the level of compliance by the company with current corporate governance recommendations or, if appropriate, those that have not been followed.

In the event of any non-compliance, describe the recommendations, rules, practices or criteria applied by the company.

If the single document referred to in Order ECO/3722/2003 is not prepared, the recommendations in the Olivencia and Aldama reports should be taken as a reference for completing this Section.

This information on the level of compliance with good corporate governance recommendations is based on those contained in the Olivencia Report, duly updated to include those in the Aldama Report. Banco Popular has thus aimed to merge the recommendations of both these reports so as to inform as accurately as possible about the compliance with these recommendations.

In line with its own tradition of corporate governance, the governance of Banco Popular Español and its group entities is based on the following principles, which conform to the good governance recommendations as discussed below.

Recommendation 1. Functions of the Board of Directors

"The Board of Directors should expressly assume as its core mission the general function of supervision, should discharge without delegation the responsibilities that that mission involves and should establish a formal catalog of matters reserved to its cognizance." (Olivencia Code)

As stated in Article 4 of the Board Regulations, the Board of Directors expressly assumes as its core mission the general function of supervision, discharges without delegation the responsibilities that that mission involves and considers that, without interfering in management of the company, the matters which are non-delegable and reserved to its cognizance are as follows:

- approval and supervision of the company's general strategies;
- appointment, remuneration and, if appropriate, dismissal of the company's top executives,
- control of the management activity, evaluation and development of executives;
- identification of the company's main risks and particularly implementation and monitoring of the internal control and reporting systems for adequacy;
- determination of the policies of information and communication with shareholders, markets and public opinion;
- approval of the policy as regards treasury stock; and
- in general, transactions involving the disposition of substantial assets of the company, major corporate transactions and all those specifically stated in the Board Regulations.

Recommendation 2. Independence of the Board of Directors

"The Board of Directors should include a reasonable number of independent directors who are persons of professional prestige not linked to the executive team or to the significant shareholders" (Olivencia Code)

The Bank's Board of Directors, currently consisting of nineteen members, includes four executive directors and fifteen external directors, of whom six are domanian and nine are independent directors.

Recommendation 3. Composition of the Board of Directors

"The Board of Directors, through the directors, should represent the highest possible percentage of capital stock."

"In the composition of the Board of Directors, the external (domanian and independent) directors should represent an ample majority over the executive directors, and the external directors should include a very significant number of independent directors, having regard to the structure of the company's shareholders and the capital represented on the Board." (Olivencia Code)

In Banco Popular's Board of Directors, the directors not linked to the Bank's executive line constitute an ample majority over the directors who may be considered to be so linked.

The Board contains a very ample majority of external directors, of whom a very significant number are independent directors, having regard to the structure of the company's shareholders and the capital represented on the Board.

Taking into account the number of shares directly and indirectly held by the directors and of the shares habitually represented by them, the Board of Directors represents 34.20% of the capital stock.

Recommendation 4. Size of the Board of Directors

"The Board of Directors should have a reasonable number of members to insure its operativity and the work of each director, and should have at its disposal all the necessary means for optimum and most efficient exercise of its functions, including communication with those responsible for the various business and service areas and, if appropriate, the assistance of external professional practitioners and experts." (Aldama Code)

In a listed company with such a broad shareholder base, the size of the Board should be such as to enable all shareholder sensitivities to be represented on it.

With its present number of nineteen directors, the Bank's Board is of a suitable size for effective and participative functioning, combining numerical moderation with the exigency, essential in a large listed financial entity, that its shareholders and their diverse sensitivities have the possibility of being adequately represented on the Board.

Recommendation 5. Deconcentration of power

"If the Board opts to add the office of chairman to that of the CEO of the company, it should adopt the necessary precautions to reduce the risks of the concentration of power in a single person." (Olivencia Code)

There is no such accumulation of offices.

In the Bank's governance structure there are two chairmen: Javier Valls Taberner, Chairman of the Supervisory Board, and Ángel Ron Güimil, Chairman of the Executive Committee; each may replace the other in the event of absence or sickness.

As regards executive functions, a wide range of competences is assigned to the Chairman of the Executive Committee and to the CEO, Francisco Fernández Dopico.

The Chairman of the Bank chairs the Executive Committee and the Credit Committee. The CEO reports to the Chairman of the Bank and is the reporter of the Executive Committee, of which he is a member, for matters proper to him.

In the split of functions between the Chairman of the Bank and the CEO, regard was had to the nature of Banco Popular's business and the increasing complexity and specialization demanded by the Group's financial activity and international presence.

The CEO is responsible for commercial banking, in general terms, and the directly related support units, and the Chief Financial Officer, the Corporate Affairs Manager and the Corporate Development Department, inter alia, report to the Chairman of the Bank. In short, the commercial business and the directly related support units report to the CEO, and the areas whose strategic, institutional or external presence nature so demands are the responsibility of the Chairman of the Bank.

Recommendation 6. Regulatory guarantee

"The post of Secretary of the Board should be made more prominent, strengthening his independence and stability and highlighting his function of insuring the formal and material legality of the Board's actions." (Olivencia Code)

The Secretary of the Board, as a specialized professional guaranteeing the formal and material legality of the Board's actions, enjoys the full support of the Board in discharging those functions with full independence and stability and is also entrusted with the task of insuring that the Bank's principles and criteria of corporate governance are complied with, that the directors are correctly briefed about matters of their competence and facilitating the proper conduct of Board meetings.

Accordingly, these functions have been performed by a professional lawyer since June 1998 and throughout 2004.

In order to strengthen the proper performance of the functions of the Secretary's department, in 2004 the Board appointed two Deputy Secretaries who may stand in for the Secretary and to whom he may delegate his functions.

Recommendation 7. Composition of the Executive Committee

"The composition of the Executive Committee, if there is such a committee, should reflect the same equilibrium as exists in the Board between the different classes of directors, and the relations between the Executive Committee and the Board should be governed by the principle of transparency whereby the Board has full and complete knowledge of the matters dealt with and of the decisions adopted by the Executive Committee." (Olivencia Code)

"The Board of Directors will decide on the composition of the Executive Committee, and it is recommended that, when this committee fully or significantly takes on the faculties of the Board, its composition should be similar to that of the Board as regards the membership in the Committee of the different classes of directors." (Aldama Code)

The Executive Committee endeavors to reflect the equilibrium existing in the Board of Directors, avoiding the inclusion among its members of directors who may have business dealings with the Bank that could give rise to conflicts of interest.

The Board of Directors currently has nineteen members, of whom four are executive directors, six are domanial directors and nine are independent directors. The Executive Committee has eight members, of whom three are executive directors, two are domanial directors and the remaining three are independent directors. Thus the percentage of independent directors in the Board of Directors is 47% and the percentage in the Executive Committee is 38%.

The relations between the Board and the Committee are governed by the principle of transparency and the Board has full knowledge of all the matters discussed and the decisions adopted by the Executive Committee.

Recommendation 8. Committees of the Board of Directors

"The Board of Directors should set up standing control committees, consisting exclusively of external directors, to deal with accounting information and control (Audit Committee); selection of directors and senior executives (Nomination Committee); determination and review of the remuneration policy

(Remuneration Committee); and evaluation of the system of governance (Compliance Committee)."
(Olivencia Code)

The Board of Directors of Banco Popular has the following specialized committees:

1. Executive Committee
2. Credit Committee
3. Special Committees:
 - a) Audit and Control Committee
 - b) Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee

Recommendation 9. Information to directors

"The necessary measures should be taken to insure that adequate information, specifically prepared and focused on preparing for Board meetings, is available to the directors sufficiently in advance; except in exceptional circumstances, the importance or confidential nature of the information cannot be asserted as a cause of exemption from these measures." (Olivencia Code)

The directors receive specifically prepared and focused information in good time to enable them to prepare on a timely basis for Board meetings, with no limitations other than those imposed by the current legal and regulatory framework covering privileged information. The information is furnished in advance to the directors in a variable period of time depending on the specific matter to be discussed. As regards ordinary matters, such as earnings, the information is continuously updated; as regards extraordinary matters, the information is provided sufficiently in advance to permit its study or to request more data.

Recommendation 10. Frequency of Board meetings

"To insure adequate functioning of the Board, it should meet as often as is necessary to fulfill its mission; the Chairman should encourage the participation and the untrammelled adoption of positions by all the directors; special care should be taken in drafting the minutes; and the quality and efficiency of the Board's work should be evaluated at least once a year." (Olivencia Code)

The Board ordinarily meets at least once each quarter, and holds extraordinary meetings as and when necessary for the better fulfillment of its mission.

The Executive Committee, as a standing body of the Board, meets weekly, without prejudice to extraordinary meetings taking place if the circumstances so require.

The Chairman assumes the duty of promoting the most active participation by all the directors in the deliberations of the Board and of insuring the free adoption of positions by them; it is the responsibility of the Secretary of the Board to draft the minutes in conformity with criteria of clarity, accuracy and completeness.

The Board of Directors evaluates each year the quality and efficiency of its work, and the findings of this analysis are set forth in the Corporate Governance Report.

Recommendation 11. Appointments policy

"The intervention of the Board in the selection and re-election of its members should follow a formal and transparent procedure, starting from a justified proposal submitted by the Nomination Committee." (Olivencia Code)

When the need arises to select a new director or re-elect an existing director, the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee submits a duly justified proposal to the Board so that the latter may either directly co-opt the candidate or accept the proposal for submission to the Shareholders Meeting, in a procedure of complete transparency.

The Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee examined and reported on the following appointments in 2004: the appointment of the new director Herbert Walter by the

Board of Directors on April 20, 2004, which, together with that of all the other members of the Board was ratified by the Shareholders Meeting on June 24, 2004, after verification of effective fulfillment by them of the functions and responsibilities for which they were appointed; the appointment of Ángel Ron as Chairman and of Francisco Fernández Dopico as CEO by the Board on October 19, 2004; and all the appointments of senior executives of the Bank during 2004.

Recommendation 12. Protection of external directors against dismissal

"After the domanial or independent directors have been elected by the Shareholders Meeting, the Board should not propose their termination before the end of the bylaw period for which they were appointed, unless there are exceptional and duly justified reasons approved by the Board, with a prior report from the Nomination Committee." (Aldama Code)

The term of office of the directors is five years, without prejudice to the requirement for them to offer their resignations each year at the Shareholders Meeting. Except in absolutely exceptional cases, the Board does not propose to the Shareholders Meeting the termination of the external directors before the end of the bylaw period for which they were appointed.

Recommendation 13. Obligation to resign

"Companies should include in their regulations the obligation for their directors to resign if they may negatively affect the functioning of the Board or the standing or reputation of the company." (Olivencia Code)

Members of Banco Popular's Board of Directors undertake to offer their resignation to the Shareholders Meeting when their continuance in office could adversely affect the running of the Board or the standing and reputation of the Bank or of any of its Group entities.

Recommendation 14. Age limit

"Companies that adopt an age limit policy for their directors must set it forth clearly in their internal regulations." (Aldama Code)

Members of Banco Popular's Board of Directors undertake to continue in office for so long as they remain fully in possession of the faculties, capabilities and availability which brought about their election to the Board, or otherwise to resign if and when their personal circumstances hinder full performance of their duties. This precaution is reinforced by the established practice of all the offices on the Board being renewable by the entity every year.

Recommendation 15. Adequate information and advice

"Formal recognition should be given to the right of all directors to request and receive the necessary information and advice for fulfillment of their supervisory functions, and the necessary channels should be established for the exercise of this right, including recourse to external experts in special circumstances." (Olivencia Code)

Each director has the right and the duty to seek and obtain appropriate information and advice for the fulfillment of his duties of supervision, in the broadest terms, and to channel any requests to this effect through the Chairman or the Secretary of the Board, who will directly provide the necessary information, propose appropriate interlocutors or take such measures as may be required for the director to examine the information in situ.

These rights are expressly enshrined in Articles 19 and 20 of the Board Regulations.

Recommendation 16. Directors' remuneration

"The policy for directors' remuneration, the proposal, evaluation and review of which should be assigned to the Remuneration Committee, should conform to the criteria of moderation, linkage to the company's earnings and detailed individual disclosure." (Olivencia Code)

The policy on the remuneration of directors conforms to the Bank's traditional criterion of not remunerating the discharge of the office of director.

The foregoing rule is compatible with receipt of such fees or salaries as may correspond to Board members that render professional or employment services for any other executive, advisory or representation functions, if any, which they perform other than those of supervision, deliberation, and adoption of resolutions that are proper to their status as directors.

Directors with no professional or employment relationship with the Bank shall have no remuneration except for collective and third party liability insurance for their actions as directors.

At the proposal of the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee, the Board of Directors will review the policy of remuneration of directors, and take whatever measures it considers most appropriate for the maintenance, correction or improvement of that policy and, in particular, for adjusting it, where appropriate, as stated in the preceding paragraphs, to the principles of moderation and linkage with the earnings of the Bank.

The remuneration of directors, the proposal, evaluation and review of which are performed by the Nomination, Remuneration, Corporate Governance and Conflicts of Interest Committee are detailed in full for each individual director in the Bank's annual reporting documents and in the annual corporate governance report.

The Group does not have in place any system of remuneration involving the delivery of shares of Group companies, stock options, or any other kind of remuneration linked to the shares.

Recommendation 17. Loyalty of directors

"The internal regulations of the company should detail the obligations arising from the general duties of diligence and loyalty of the directors, with particular emphasis on situations of conflicts of interest, the duty of confidentiality, the exploitation of business opportunities and the use of corporate assets." (Olivencia Code)

The annual Corporate Governance Report, the Board Regulations (Articles 17 and 18) and the Internal Regulations of Conduct in the securities markets field of the Banco Popular Group give details of the obligations arising from the general duties of diligence and loyalty incumbent upon directors and address, in particular, situations of conflicts of interest, the duty to maintain confidentiality, the non-exploitation of business opportunities and the use of company assets.

Recommendation 18. Extension of the duty of loyalty to significant shareholders and senior management

"The Board of Directors should promote the adoption of appropriate measures to extend the duty of loyalty to significant shareholders, establishing in particular precautions for any transactions between them and the company." (Olivencia Code)

The Board of Directors fosters the adoption of appropriate measures to extend to the significant shareholders, whether or not they are on the Board, and to senior management personnel of the Bank the same duty of loyalty, applying maximum transparency and strict control to any transactions between them and the Bank.

In this respect, and pursuant to Article 28 of the Board Regulations, the Board formally reserves to itself cognizance of any direct or indirect transaction between the Bank and a significant shareholder, assessing the equality of treatment of the shareholders and the market conditions.

Recommendation 19. Shareholders Meeting

"When Shareholders Meetings take place, and from the date of notice thereof, the company should communicate the complete contents of all the proposed resolutions to be submitted to the meeting, using for

this purpose its own website, regardless of any other legal or voluntary procedure which the company may have." (Aldama Code)

From the date of publication of the notice of a Shareholders Meeting, the following information is disseminated through the corporate website:

- a) the notice
- b) the complete contents of all the resolutions proposed to the Shareholders Meeting
- c) all the documentation relating to the proposed resolutions (financial statements, directors' reports, reports of independent experts, etc.)

After the Shareholders Meeting has been held, the markets are informed by publication of a significant event notice and the corporate website reports the resolutions adopted at the last Shareholders Meeting.

Recommendation 20. Board and Shareholders Meeting regulations

"All companies should have a set of corporate governance rules or criteria, including at least the Shareholders Meeting regulations and the Board of Directors regulations." (Aldama Code)

The corporate governance criteria and principles guiding the actions of the Bank have been progressively shaped in the course of many years and are exhaustively disclosed year after year in the annual reporting documents and in the annual corporate governance reports; the latter have been published without interruption since 1998.

The modus operandi of the Shareholders Meeting has been shaped progressively over time, as part of a corporate culture whose final purpose is to get closer to shareholders by offering them adequate and increasing conduits of information and participation in the Bank's most important decisions.

The Shareholders Meeting on June 24, 2004, approved specific Shareholders Meeting Regulations stipulating, inter alia, the rules for organization, call, preparation, information, attendance and conduct of such meetings, in order to facilitate exercise by the shareholders of their rights.

Also, at its meeting on January 29, 2004, the Board of Directors approved regulations containing the rules of internal governance and functioning of the Board and its committees, the contents of which were notified to the above-mentioned Shareholders Meeting.

Recommendation 21. Transparency of information

"Measures should be adopted to enhance the transparency of the mechanism for proxy voting and to strengthen communications between the company and its shareholders, particularly with institutional investors." (Olivencia Code)

The Board maintains the transparency of the mechanism for proxy voting and of the Bank's communications with all its shareholders which has always been an identifying feature of the Group. Shareholders can also obtain in real time extensive information about the progress of the Bank through the Shareholders Office or the Banco Popular website.

The Ordinary Shareholders Meeting on June 24, 2004, resolved to amend Articles 14 and 15 of the Bank's Bylaws to conform them to Articles 105.4, 106.2 and 112 of the Corporations Law with the new wording contained in Law 26/2003 regarding the possibility for shareholders to be represented at Shareholders Meetings by means of remote communication systems and to delegate or exercise their right to vote on proposals included in the agenda by mail, electronically, or by any other means of communication, and their right to information.

As regards communication between the Bank and its shareholders, Article 27 of the Board Regulations and Chapters II and IV of the Shareholders Meeting Regulations exhaustively detail the mechanisms in place to strengthen such communication.

Numerous briefings were organized in 2004 for institutional investors that are shareholders of the Bank.

Recommendation 22. Full disclosure

"Going beyond the requirements of current legislation, the Board of Directors should take responsibility for providing the markets with swift, precise and reliable information, especially regarding the shareholder structure, substantial changes to the rules of governance, especially relevant transactions with related parties or treasury stock." (Olivencia Code)

Article 29 of the Board Regulations states that the Board of Directors must adopt the necessary measures to guarantee transmission to the financial markets of all the information about the Bank required by current legislation and that deemed to be relevant for investors.

In accordance with this principle of transparency, the information furnished must be:

- a) Correct and truthful
- b) Conveyed symmetrically and equitably
- c) Conveyed in useful time

Also, the Board of Directors must supervise that all the information currently required by law from listed companies be provided and specifically the following:

- a) Periodic financial public reporting
- b) All material information (events or decisions) by submission to the Spanish Securities and Exchange Commission of the related notification of material events.
- c) The annual corporate governance report, including the content required by law and by Bylaw, which shall be notified as a material event and published on the Bank's corporate website.

Following its tradition of going beyond the requirements imposed by current legislation, in 2004 the Board continued to provide the markets with swift, precise and reliable information regarding the Bank's shareholder structure and modifications to the rules of governance, as well as operations of special significance.

Recommendation 23. Information on corporate governance matters

"The duties of information about each company's corporate governance structures and practices should be extended and, in general, measures should be adopted to insure the higher quality of the information, consolidating them in a single text published for the general knowledge of shareholders and investors." (Aldama Code)

In addition to the quantitative information (financial and accounting) and that of most immediate impact (significant events), the Bank has published since 1998 an annual Corporate Governance Report with full information on corporate governance matters and on the degree of compliance with the corporate governance recommendations, in accordance with principle of "comply or explain".

Recommendation 24. Periodic financial reporting

"All the periodic financial information which, in addition to the annual information, is presented to the markets should be prepared in conformity with the same principles and professional practices as those applied to the annual financial statements and should, before dissemination, be checked by the Audit Committee." (Olivencia Code)

The periodic financial information which, in addition to the annual information, is presented to the markets continues to be prepared in conformity with the same principles and professional practices as those applied to the annual financial statements and, before dissemination, is checked by the Audit and Control Committee.

Recommendation 25. Information through the Internet

"Companies should have a website through which information can be provided to shareholders, investors and the market in general about financial matters and all other significant facts concerning the company, and to facilitate the participation of shareholders in exercising their right to be informed and, if appropriate, their other corporate rights." (Aldama Code)

The Bank has a corporate website, www.bancopopular.es, which provides information of a financial nature and about all matters relating to corporate governance.

On the website interested parties can access the annual corporate governance reports, the bylaws of the Bank, the names of shareholders with significant shareholdings and their representation on the Board of Directors, the composition of the Board of Directors and of its Committees, and the shareholdings of Board members. They can also consult the quarterly reports for the year and the annual reports for recent years, and the information contained in the presentations made to market operators and the significant events notified to the markets in recent years. Finally, they can consult the notices and agenda of Shareholders Meetings, the resolutions proposed to the meetings and the resolutions finally adopted.

Recommendation 26. Independence of external auditors

"The Board of Directors and the Audit Committee should pay close attention to situations which may signify risk for the independence of the company's external auditors and, specifically, they should check the percentage that the fees paid under all headings represent in the total revenues of the audit firm and publicly disclose the fees relating to professional services other than audit services." (Olivencia Code)

Article 30 of the Board Regulations states that the relations of the Board with the external auditors shall be routed through the Audit and Control Committee, and the Board and this Committee should give careful attention to situations potentially involving a risk for the independence of the Bank's external auditors.

The Board of Directors and the Audit and Control Committee used a series of channels in 2004 to maintain the independence of the external auditors.

The Committee thus requested the attendance at several of its meetings of the practitioners responsible for auditing the Group entities. In this way it was confirmed that the fees paid to the external auditors by the Bank and Group entities under all headings did not represent a significant percentage - in any case considerably below 10% - of the total revenues of the audit firm, which is one of the biggest in the world. Fees relating to periodic or habitual professional services other than auditing, paid to practitioners or companies directly or indirectly related to the audit firm, were also verified not to have reached a significant level, nor to have affected at any time either the Bank's strategy or general planning.

The Board of Directors publicly discloses each year the total fees paid by the Bank to the audit firm for non-audit services.

Recommendation 27. Accounting quality

"The Board of Directors should endeavor to avoid the inclusion in the financial statements prepared by it and submitted to the Shareholders Meeting of reservations and qualifications in the auditors' report and, if this is not possible, both the Board and the auditors should clearly explain to the shareholders and the markets the content and scope of the disagreements." (Olivencia Code)

The Board of Directors endeavors, by itself and through the Audit and Control Committee, to insure that the accounts it prepares are not presented to the Shareholders Meeting with reservations and qualifications in the auditors' report. During the joint meetings with the external auditors an exhaustive review was requested of various areas in the accounts in order to evaluate the quality of the effort applied in examining them.

Recommendation 28. Continuity

"The Board of Directors should include in its public annual report information about its rules of governance, justifying any which do not conform to the recommendations of this Code." (Olivencia Code)

The Board of Directors undertakes to issue a corporate governance report each year.

G OTHER INFORMATION OF INTEREST

If it is considered that any principles or significant aspects relating to corporate governance practices applied by the company have not been addressed in this report, describe and explain them below.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the company is subject to legislation other than Spanish law as regards corporate governance, and if so include such information as it is obliged to provide that differs from that contained in this report.

The following principles have progressively marked, with constant updates, the personality of Banco Popular for nearly five decades and are the profile of the Bank's corporate governance identity.

THE BOARD OF DIRECTORS

The role of the Board is defined in terms of the following missions:

1. Keep its finger on the pulse of banking.
2. Manage the Bank by remote control.
3. Merge into the collective background of the Bank.
4. Refrain from interfering individually in issues relating to personnel, loans, purchases, or in subsidiaries.
5. Receive no remuneration.
6. Refrain from speculating.
7. Exercise the directors' right to express themselves freely and with critical judgment before other directors, and to have regard to their duty to avoid leaks of information and fissures, both outside the Bank and internally downwards.
8. Defend the long-term viability of the Bank and protect its general interests.

Strict separation of Board and management.

The Board's policy is to delegate the ordinary management of the Bank to the executive bodies and management team, concentrating its activity on the general function of supervision.

This is perhaps the most long-standing principle applied at Banco Popular, as is borne out by the fact that it has been applied without interruption for almost five decades. It was at the beginning of this period that fortunately the criterion of separating directors from management was implemented, and the Bank began to note its positive effects.

The separation between the Board and management thus becomes the ideal arrangement for each to fulfill its role with maximum efficiency, whereby the directors are responsible for monitoring and insuring that the company is being managed efficiently, and the managers are professional executives whose performance is not hindered by interference.

The various competences incumbent upon the Board are divided into areas, whose monitoring and control are the responsibility of the director or the committee best fitted by their personal characteristics and qualities to perform the task of supervision with which they are entrusted. Accordingly, the separation of management from governance or the Board can in no case lead to neglect of duties, nor to the adoption of decisions or the taking of measures of importance by the Bank's management bodies without the knowledge or control of the Board.

Thus, the ordinary management of the Bank is delegated to the General Management, a technical and executive governance body now headed by the Chairman of the Bank, which currently consists of five members appointed by the Board of Directors from among the executives comprising the Bank's top management.

Composition of the Board

The composition of the Board has regard to the structure of the Bank's capital stock, endeavoring to open it up to the various sensitivities of the shareholders, in order to insure representation on the Board of a relevant percentage of the capital stock and protect the general interests of the entity.

Some of the directors and groups of directors act, year after year, as "permanent" representatives of different groups of shareholders, such as families, companies, foundations, etc.

The composition of the Board reflects an appropriate equilibrium between the executive directors and the external directors, the latter being a broad majority; this equilibrium has been progressively structured over time until it has reached the present situation.

Board Committees

Among the clearest examples of the immediate practical application of the recommendations in the Olivencia Report published in February 1998, the Bank decided in April of that year to set up two "Board Committees", of an informative and consultative nature, one responsible for Audit, Control and Remuneration and the other for Nominations, Governance and Conflicts of Interest, as additions to the already existing Credit Committee.

These Board Committees cooperate, as specialized bodies, in the effective discharge of the functions of the Board of Directors, insuring the control of management and the safeguarding of the interests of shareholders and investors.

No speculation by directors

Instead of feeling that "he owned the place", the Banco Popular director came to realize that in order to feel "at home" he had to "keep the Bank and his private, family and social life completely separate" and observe the longstanding rule forbidding speculation.

The directors are subject to the Group entities' internal rules of conduct as regards the securities markets, a set of in-house regulations on acting in matters relating to the securities markets, based on respect for current legislation and on ethical and professional responsibility criteria.

Non-remuneration of directors

The policy on the remuneration of directors conforms to the Bank's traditional criterion of not remunerating the discharge of the office of director.

The foregoing rule is compatible with receipt of such fees or salaries as may correspond to Board members that render professional or employment services for any other executive, advisory or representation functions, if any, which they perform other than those of supervision, deliberation, and adoption of resolutions that are proper to their status as directors.

In any case, the policy of remuneration of directors must be transparent and must conform to the principles of moderation and linkage to the earnings of the Bank.

Transparency of information

A shareholder with a sufficient shareholding may be a member of the Board or not. The same information is available in both cases, and is as full as the shareholder wishes. The only limitations are those established personally, legally or in the bylaws.

The aim is to insure optimum quality in the information conveyed to the markets, not only of a financial and

accounting nature but also with respect to corporate governance. The channels used are: Annual Corporate Governance Report, publication of significant events, periodic financial reporting, a corporate website and presentations to the markets, all intended to guarantee equality of treatment and to overcome asymmetries in the information.

Delegation to the Executive Committee

The Executive Committee, which originally consisted of six directors, now has eight members who meet frequently, attend meetings of the Credit Committee, and are responsible for monitoring, supervision and strategy.

This standing body substitutes for and aids the Board of Directors in the performance of its duties, with special emphasis on the transparency and fluidity of information from it to the Board of Directors.

Internal Control

The Audit and Control Committee is responsible for keeping a close watch on the suitability and integrity of the internal control systems, for supervising that all the periodic information furnished to the markets is prepared in conformity with the same principles and professional practices as applied in preparing the annual financial statements, and for keeping a vigilant watch on situations which may involve a risk for the independence of the Bank's external auditors.

SHAREHOLDERS MEETING

The Bank has traditionally endeavored to provide its information in advance of the Shareholders Meeting and does so by communicating it to analysts, investors, journalists and shareholders before the end of January, with the result that the actual holding of the ordinary Shareholders Meeting becomes merely a formal act for the adoption of resolutions.

From January to the date of the formal Shareholders Meeting, the Bank makes available to all shareholders all the financial information of the Group, the annual reports and the "Incidents of the Year" publication, and responds personally to the questions, suggestions and issues raised, either formally or informally, by the shareholders.

Communications between the Bank and its shareholders are conducted through the Shareholders Office (c/ José Ortega y Gasset 29, 28006 MADRID; telephone +34 91 5207265; fax +34915779209; e-mail accionista@bancopopular.es) at two different but inter-related levels: that of information and that of participation in the life of the Bank. Shareholders may also visit the Bank's website www.bancopopular.es.

The information provided, which goes beyond that legally required, is contained in the following documents:

- Report, including the financial statements, management report and proposed distribution of income, as well as the consolidated financial statements and management report.
- Annual Corporate Governance Report, setting forth the rules of governance and giving reasons for those not conforming to the recommendations in the successive codes of good corporate governance.
- Corporate Social Responsibility Report.
- Information Leaflet, containing the organization chart, functional structure and administrative offices.
- Incidents of the Year, which as a counterpoint to the Annual Report and Notes to the Financial Statements that describe in detail the economic results obtained during the year, sets out with frankness and complete transparency the minor happenings that also form part of the Bank's activities. Shareholders are entitled to know all about what happens in the Bank, including misfortunes, errors and failures.

- Style Guide, a glossary of terms defined in order to explain the Bank's own principles and standards as set up over the years, commonly comprising what is known as its "corporate culture".

Shareholders may at any time exercise their legally recognized right to examine all documentation at the Bank's registered office or request that it be sent to them free of charge; may make such enquiries or observations as they consider desirable, either in person or in writing, by telephone or e-mail; may formally express their assent to or dissent from any proposals; may discriminately or selectively exercise their right to vote, or not to vote if they so wish, or to follow the decision of others.

STAFF AND ETHICAL COMMITMENT

The Group entities' internal rules of conduct as regards the securities markets are a set of in-house regulations on how employees to which they are applicable should act in matters relating to the securities markets, based on respect for current legislation and on ethical and professional responsibility criteria.

In this respect, the internal rules of conduct prohibit the practice, encouragement or support of conduct which, because it involves the improper use or transmission of inside information or market manipulation, may constitute abuse of the market.

The rules further prohibit persons possessing inside information from performing any transactions involving securities or financial instruments in which the underlying elements are securities issued by the Bank or by any company in its Group during the periods specifically designated by the Board of Directors.

This Annual Corporate Governance Report was approved by the Board of Directors at its meeting on January 26, 2005.

List any directors that voted against, or abstained from voting on, the approval of this report.

No director voted against or abstained.



Corporate Social Responsibility Report
of the Banco Popular Group for 2004

The strategic aim of a business is to earn a return on capital, and if in any particular case the return in the long run is not satisfactory, the deficiency should be corrected or the activity abandoned for a more favorable one..

Alfred P. Sloan - My Years with General Motors (1963)

This principle, formulated more than forty years ago by one of the fathers of modern management after long experience at the head of a company which he made into the biggest in the world, is an excellent definition of the purpose of an enterprise in a market economy and also the starting point for establishing the concept of corporate responsibility.

The mission of a company in a market economy is, to use more up-to-date language, the sustained creation of value for its shareholders at long term or, expressed colloquially, "to make money", and to do so in the framework of full compliance with its legal and contractual obligations. This is its raison d'être and prime social function, in the sense that this is what society expects from the company.

Consequently, the essential obligation of those who govern a company - the prime corporate responsibility - is to fulfill this mission with efficiency, honesty and diligence in the interests of its shareholders, who are the owners of its capital, and to report to them and to the investment community, i.e. potential shareholders, in a truthful, complete and clear manner.

The company performs this mission by means of a corporate strategy formulated by its governing bodies, which comprises two essential decisions: what business the company is in (the products and services it sells and the markets in which it operates) and what resources it uses (human, material, technological, financial, intangible). These major strategic lines are then specified in a set of instrumental policies: about products, prices, distribution, purchases, investments, personnel, technology, funding, business development, etc. The strategy and the policies are implemented through the organization structure by means of very numerous corporate decisions which are the end product of executive management.

Corporate strategy must always be at the service of the company's mission; if it hinders achievement of the mission at long term, the company's directors have to change course, rectify policies and repostulate the strategy - going so far, if necessary, as ditching non-profitable lines of business or replacing the mix of resources with another more efficient one - in order to insure fulfillment of the mission. In this respect, the assertion attributed to Mr. Sloan that the ultimate objective of General Motors was not to produce automobiles but to make profits acquires its full meaning.

* * *

*There are more things in heaven and earth,
Horatio, than are dreamt of in your philosophy.*

William Shakespeare, Hamlet Act I

Going beyond strict adherence to these principles, the company also has a responsibility to the outside world. This commitment arises from the company's will to fulfill its mission within certain limits and with respect for certain values that may be summarized in the notion of "being a good corporate citizen in the society which it inhabits".

A company is not isolated from the outside world; it is intimately related to the whole of the economic system of which it is a basic part and to society. It produces goods and services for the market, calls in turn for others supplied by other companies, creates direct and indirect employment, makes investments that modify the environment, contributes with its taxes to the financing of the needs of the community. Its strategy and its policies, and ultimately the decisions arising from them, trigger an impact - whether favorable or not - on its surroundings, which is particularly important in the case of major corporations.

A company must behave responsibly in the community in which it exists, over and above complying with its legal obligations:

-in its relations with its stakeholders: customers, employees and suppliers.

-in its relations with society: firstly with the communities closest to where it carries on its activities, and also with the institutions of the civil society in the country or countries in which it has a presence, without overlooking the existence of people in need elsewhere.

-in its impact on the physical and environmental surroundings (the ecosphere) in which it operates.

The conduct of a company on these three fronts involves a second responsibility to the outside world - social responsibility - which follows that to its shareholders for fulfillment of its mission. On all these matters it must report firstly to its shareholders - since this forms part of its strategy - and also to its stakeholders and to society in general, by means of a periodic, truthful, complete and clear report on its performance in this area: the corporate social responsibility report.

It should be noted that a company must discharge this responsibility with complete freedom of initiative, in accordance with its identity and corporate culture, in those activities and projects that it voluntarily chooses and with the scope which it considers appropriate. It should not be forgotten that social responsibility starts from the point at which the company has complied with all its legal obligations. Only if there is freedom of decision can the responsibility inherent thereto be properly said to exist. Any intention to regulate the performance of companies in this area - a temptation for interventionist politicians and over-zealous regulators - would turn the free exercise of corporate responsibility into the application of a catalogue of obligatory rules.

The responsibility of a company to the outside world has a two-fold motivation: on the one hand it is responsive to moral reasons - the will "to be a good corporate citizen"; on the other, to a legitimate desire to perform its mission better - "it is in its interest to be one" - since it brings value. There is no doubt that the quality of the products and services provided, the customer care offered or the achievement of satisfactory working conditions for its employees are essential competitive advantages in the markets in which the company operates and have a favorable impact on its earnings. Value is also contributed by responsible behavior towards the environment or support for projects of social interest in the community it inhabits, since they contribute to better knowledge of the company and better corporate standing.

Social responsibility must be exercised bearing in mind that a company is a profit-seeking institution - the business of business is business -, albeit not in any manner or at any price, but in a way that is considerate of the outside world, in the interest both of itself and of society. A company's actions within the community cannot be expected to be those of a philanthropic institution (a company is not an NGO), nor to be responsive to the urge, very pressing in today's society of high media-profile soundbites, to follow fashion or to become a public relations phenomenon.

The foregoing criteria with respect to social responsibility are the outcome of long reflection at Banco Popular over the last thirty years, much before this concept became as prominent as it is today.

Of all the matters discussed in the report, particular mention should be made of the significant and growing impact that the Group's activities have on the creation of wealth in the Spanish economy. In 2004 they produced added value of €2,307 million, 3.9% more than in 2003 and 41.9% higher than five years ago; this means that Banco Popular generated almost 0.3% of the Spanish Gross Domestic Product in 2004.

Equally important is the impact on employment. The Group currently has 13,100 employees, 11,800 of them in Spain and almost all with stable employment contracts, and it has created net employment: taking as a base 1999 year end, jobs at Banco Popular have seen a net increase of 13.8% (3.1% considering only the Group's activities in Spain), whereas employment in the Spanish banking sector as a whole has followed an opposite trend, with a fall of 12.2%.

This 2004 corporate social responsibility report that Banco Popular presents to its shareholders and to society gives a detailed account of the Group's performance in this matter, following in its general lines the principles of the Global Compact announced by the United Nations Assembly.

January 2005

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1. THE BANCO POPULAR GROUP

1.1. ORGANIZATION

The reporting entity is Banco Popular Español, S.A. ("Banco Popular" or "the Bank"), as the parent company of a finance group ("the Group" or "the Banco Popular Group") which includes ten other banks which are majority-owned and managed by it, namely Banco de Andalucía, Banco de Castilla, Banco de Crédito Balear, Banco de Galicia, Banco de Vasconia, Banco Popular Hipotecario, Banco Popular-e, Popular Banca Privada, Banco Nacional de Crédito in Portugal and Banco Popular France. The Group also includes seventeen operating companies, handling substantially all the range of financial services: mutual and pension fund management, securities intermediation, portfolio and asset management, factoring, insurance, venture capital investment and equipment renting. Some of these companies are joint ventures of Banco Popular and leading partner entities.

The Banco Popular Group is the third largest banking group in Spain. It has more than 13,000 employees who are characterized by teamwork, dedication to providing top quality service to customers, and focus on earnings in all the business activities.

The Group has a network of more than 2,200 branch offices all over Spain, 127 in Portugal and 14 in France, plus Representative and Correspondent Offices in ten other countries.

The network strives to offer customers the best products and the best customized solutions for each individual need or business, with professionalism and transparency, in a growth strategy to which the Group brings the experience accumulated by it during its over 75 years of existence.

1.2. MISSION

The Group's mission is the creation of sustained value at long term for its investors and stakeholders, with efficiency, honesty and diligence and without overlooking its responsibility to society and its environment.

This mission is clear and straightforward: to maintain an identity of its own as a regional finance entity in the new European financial services market, specializing in individuals, retailers and companies, and focused on service quality, profitability and efficiency.

1.3. VISION

The foundation of the business is the confidence and fidelity of the customers, and therefore great care is taken of all the elements and qualities making this possible, such as integrity, transparency, discretion and responsibility. Adherence to these ethical criteria is a duty towards customers, shareholders, authorities and society in general, and they must shape the day-to-day conduct of the business activities.

1.4. VALUES

The corporate culture of the Group and of the people who work in it, as disclosed in the annual "Incidents of the Year" report and in the Style Guide, which set forth the rules and ethical criteria that have shaped the Group, faithfully reflects the following six simple but sufficiently illustrative principles:

Teamwork

Teamwork, in a climate of cooperation, communication and trust, is in place as the formula for the success of the Group, which is the sum of that of all those working in it

Customer service culture

Work is essentially focused on and by the Group's customers, that are offered a nimble, efficient and top quality service, signifying that customers are treated as each Group employee would like to be treated, working jointly with them, adapting to their needs and offering prompt and individualized responses.

Respect for individuals

Mutual respect is a basic pillar of the relations in the Group's organization and guides all the tasks and functions borne within the Group.

Initiative and commitment

Initiative in decision-making and the degree of commitment of everybody in the Group in all projects are fundamental qualities, because individual efforts contribute to collective success, and this latter is only possible with the contribution and involvement of all individuals in different job positions.

Flexibility and willingness to change

As drivers of process of change, the Group's employees have a flexible and agile attitude to changes in the business and in the environment, thus insuring market recognition of the Group as an efficient, dynamic and reliable organization year after year.

Development of talent

The Group has a high level of confidence in and commitment to its employees, and endeavors to offer appropriate opportunities for growth and the development of a professional career by means of a system of in-house promotion, a key aspect of its human resources management model.

1.5. STRATEGY AND MANAGEMENT POLICIES

1. Summary of Strategy and Management Policies

SIGNS OF IDENTITY OF THE BANCO POPULAR GROUP

- Preference for the domestic retail market
- Commercial strategy orientated towards customer banking, based on bonding through multiple products,
- Personalized product offerings, tailored to the preferences of each homogeneous customer segment
- Multiple commercial distribution channels (network of agents, branch office, card, ATM, telephone, Internet banking)
- Competition based on quality, flexibility and service personalization
- Equal-footing agreements and alliances with other entities for the performance of overall or specific activities

MANAGEMENT CRITERIA

- Profitable growth of the business
 - Maximum balance-sheet soundness
 - High operating efficiency
 - Regularity in the conduct of the business, in earnings and in dividends
 - Flexible, flat and customer-orientated organization
 - Professionalism in decision-making processes
 - Active management of intellectual capital, staff training and motivation
 - Intensive use of information technology to strengthen commercial action
 - Internal and external reporting transparency
-

The Group's commercial management is based on a set of criteria systematically applied to all business areas, which can be summarized in the following guidelines:

1. Focus on customer banking. The main objective of the commercial strategy of the Banco Popular Group is to engage in customer banking with customers in the multichannel and multibrand market in the Iberian peninsula. Under this strategy, the branch office is the center point of relations with customers as the point of sale, service and advice. The aim is to establish a relationship of knowledge and mutual trust to closely bond customers with the

Group, by virtue of which the latter can furnish the broadest possible range of financial services to them. For the Banco Popular Group, customer service comes before selling the products.

2. Personalized services. The Group has on offer a sufficiently varied range of products which it markets with the necessary flexibility to meet the requirements of 452,000 small, medium and big corporate customers and nearly 5.3 million individual customers of widely varying sociological and financial profiles. Each customer requires a distinctive relationship to match its distinctive preferences with regard to savings and investment products, financing, services and pension and insurance products. The concept of bespoke services and products, adopted by the Group many years ago, continues to be one of its signs of identity in the financial services market.

3. Optimization of the branch office network. In recent years the Group has implemented a branch office expansion plan in order to achieve a higher market share and the closest possible approximation to potential customers in areas of good growth prospects.

4. Use of multiple marketing channels. Customer bonding can be achieved in many ways, depending on the characteristics of each segment. The branch office is the key element in the commercial banking business for reaching customers, but it is not the only one, and other channels such as ATMs, telephone and Internet banking play a growing role in the provision of services, inquiries about transactions and information about products.

The commercial strategy is implemented under the criterion of market segmentation by type of activity and customer profile. One major segment is Retail Banking, which includes banking for individuals (groups, personal banking and private banking), corporate banking and, for more than five years now, remote banking over the Internet (by the bank-online distribution channel and by the specialist bancopopular-e entity) and by telephone. The other major segment is Wholesale Banking, which groups together and coordinates the activities of structured financing, capital markets and venture capital operations.

The Banco Popular Group's Strategy for 2004-2006: the Suma Plan.

The Suma Plan focuses on financial personalization, with the customer as the point of reference for all the Group's actions, without relinquishing its signs of identity (orientation towards customer banking with customers in the multichannel and multibrand market in the Iberian peninsula, with the branch office as the center point for advisory services and point of sale).

For this three year period the Group has set as its main objective the achievement of attributable net income of €1,000 million in 2006, plus the addition of 1 million new individual customers and 120,000 corporate SME customers, and the bonding of a further 400,000 customers by contracting for four or more products.

The strategic commitment to technology to serve the business is also part of the Suma Plan. The Group plans to invest more than €350 million in new applications to boost the activities of the units handling consumer credit, means of payment and international business, which will serve to supplement the already consolidated activities of banking for individuals and groups, personal banking, corporate banking, wholesale banking and private banking.

The commercial strategy inherent to the Suma Plan is being implemented using a commercial system model following the criterion of market segmentation by customer activity and profile, without overlooking the enhancement of service quality and product personalization for the Group's customers.

1.6. GENERAL CSR FRAMEWORK

In the Banco Popular Group, matters relating to corporate social responsibility are handled and coordinated by the office of the Secretary of the Board of Directors of Banco Popular and the Corporate Counsel Department (José Ortega y Gasset 29, 28006 MADRID. Telephone: +34 91 5207354; fax: +34 91 5777338; e-mail: rsc@bancopopular.es).

The Group identifies with and endeavors to insure the application of the principles of the UN Global Compact, an initiative for an ethical commitment by companies all over the world to accept as an integral part of their strategy and operations ten principles of conduct and action as regards human rights, labor, the environment and the fight against corruption.

The idea of a UN Global Compact in the field of corporate social responsibility was launched by UN Secretary General, Kofi Annan, at the World Economic Forum in Davos on January 31, 1999. Its operational phase started on July 26, 2000, when Mr. Annan called on corporate leaders and executives to join in a major pact to implement the widely shared commitment to harmonize corporate activities and needs with the principles and objectives of political and institutional action by the UN, labor organizations and civil society.

These principles are as follows:

RESPECT FOR HUMAN RIGHTS

- 1.- Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.
- 2.- Businesses should ensure that their own operations are not complicit in human rights abuses.

LABOR

- 3.- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- 4.- Businesses should uphold the elimination of all forms of forced and compulsory labor.
- 5.- Businesses should uphold the effective abolition of child labour.
- 6.- Businesses should eliminate discrimination in respect of employment and occupation.

ENVIRONMENT

- 7.- Businesses should support a precautionary approach to environmental challenges.
- 8.- Businesses should undertake initiatives to promote greater environmental responsibility.
- 9.- Businesses should encourage the development and diffusion of environmentally friendly technologies.

FIGHT AGAINST CORRUPTION

- 10.- Businesses should work against corruption in all its forms, including extortion and bribery.

Also, this Report has been prepared, wherever applicable, following the indicators of the Global Reporting Initiative (GRI), and especially the specific criteria for financial entities in the Financial Services Sector Supplement. The GRI is the main guideline for drafting sustainability reports on economic, environmental and social performance by companies, and was set up by the United Nations to encourage the quality, rigor and usefulness of these reports. The Financial Services Sector Supplement was designed by GRI jointly with experts from different financial institutions and contains the indicators considered to be most relevant for this sector.

1.7. FINANCIAL STATEMENTS

The annual reporting documents, which include this Report, contain ample information about the Bank's financial statements in the Management Report and Annual Accounts.

1.8. IMPACT ON THE ECONOMY

This Section describes the Group's contribution to the creation of economic value and job creation.

THE GROUP'S CONTRIBUTION TO THE ECONOMY

The business activity of Banco Popular, the third biggest Spanish banking group by business volume has a relevant weight in the Spanish economy and contributes significantly to the generation of the national income or gross domestic product.

The method of measurement used to assess its impact consists of calculating the added value generated by the Group in the year, compared with the main macroeconomic aggregates for the year. The value added, applying the income method, is the sum of the remuneration paid to the primary factors of production, firstly to labor (personnel costs borne, including contributions to pension funds), to capital (dividend payments), plus the surplus retained by the company to maintain its solvency and insure its future development (comprising the portion of income taken to reserves and the depreciation, amortization, provisions and writedowns), plus the taxes paid.

From the foregoing total are subtracted the payments made outside the country (e.g. personnel costs abroad, dividends paid to nonresidents, taxes abroad, etc.) in order to finally reach the added value generated in Spain. This aggregate is the Group's contribution to the gross domestic product (GDP) of the Spanish economy in the year concerned.

The added value created by the Group in 2004 amounted to €2,471 million, 7.4% higher than in 2003. The personnel costs, including the ordinary and extraordinary contributions to pension funds, which signify deferred salaries, amounted to €718 million, 29.1% of the total value added. The return paid on capital (dividends) amounted to €459 million (18.6%). The operating surplus amounted to €854 million (34.6%), which included €424 million of provisions to reserves (retained earnings) and €430 million of allocations to allowances and for depreciation and amortization. Finally, the taxes paid amounted to €440 million, 17.8% of the added value.

The added value generated in Spain in 2004, i.e. subtracting from the foregoing figures the amounts paid abroad, was €2,307 million, 3.9% more than in 2003. This amount, compared with the GDP for the year, which was €793,000 million per the latest figures of the Ministry of Economy, signifies that the Group's activities in 2004 contributed 0.291% of the Spanish Gross Domestic Product.

It should be noted that the Group's contribution has grown appreciably over the last five years, from 0.267% of GDP in 2000 to the 0.291% in 2004 indicated above.

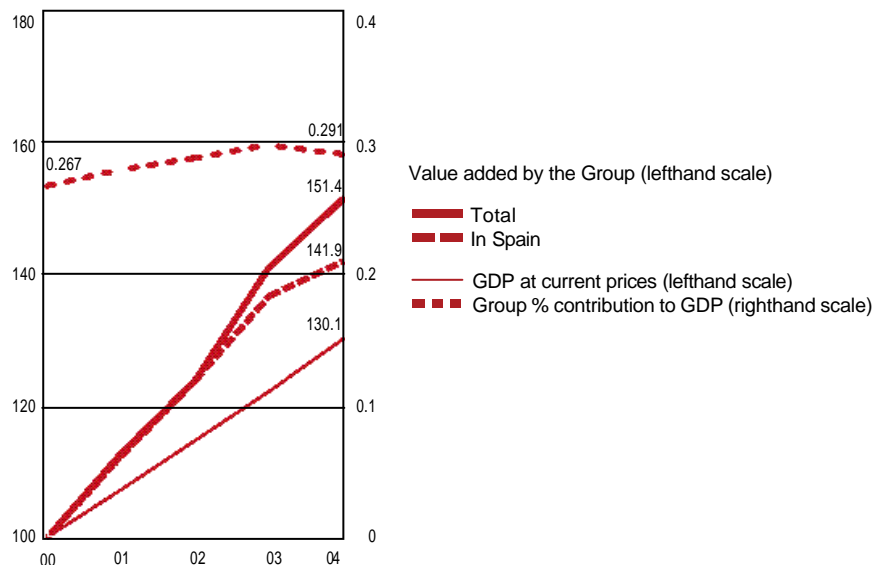
The following table plots the growth of the added value generated by the Group, its breakdown by components and the contribution to Spain's GDP in the last five years, which are also plotted graphically in the accompanying figure.

2. Added value generated by the Banco Popular Group

	2000		2001		2002		2003		2004	
Remuneration of labor (a)	477,021	29.2%	578,659	31.5%	570,452	28.3%	610,768	26.5%	717,769	29.1%
Salaries & wages	369,109		393,024		407,342		435,221		462,230	
Social Security contributions	97,059		103,087		106,185		112,108		115,981	
Contrib. to external pension fund	0		69,297		45,779		48,799		124,778	
Other personnel expenses	10,853		13,251		11,146		14,640		14,780	
Remuneration of capital (b)	279,250	17.1%	324,382	17.7%	363,541	18.0%	406,378	17.7%	458,519	18.6%
Banco Popular dividends	259,499		295,330		329,722		366,092		400,200	
Dividends min. int. common shares	19,751		20,657		21,546		22,584		24,724	
Dividends min. int. preferred stock	0		8,395		12,273		17,702		33,595	
Retained earnings (c)	248,259	15.2%	289,782	15.8%	324,194	16.1%	371,419	16.1%	429,693	17.4%
Net income	527,509		614,164		687,735		777,797		888,212	
Minus: Dividends	-279,250		-324,382		-363,541		-406,378		-458,519	
Provisions & depreciation (d)	317,237	19.4%	375,773	20.5%	359,537	17.8%	450,702	19.6%	424,438	17.2%
Prov. & writedowns for credit losses	133,585		218,490		265,176		357,520		361,417	
Provisions for other purposes	61,468		79,299		-55,220		6,643		-39,699	
Provisions for general risks	0		0		9,402		0		0	
Writedowns of securities & derivatives	4,442		1,723		8,852		-1,229		2,138	
Prov. to in-house pension allowance	47,917		0		0		0		0	
Depreciation & amortization	67,474		68,203		67,907		75,953		81,139	
Amortization of good will	2,351		8,058		63,420		11,815		19,443	
Taxes (e)	310,095	19.0%	268,569	14.6%	400,309	19.8%	461,272	20.1%	440,325	17.8%
Corporate Income Tax	282,905		238,030		367,694		427,385		404,218	
Other taxes	27,190		30,539		32,615		33,887		36,107	
Value added (a+b+c+d+e)	1,631,862	100.0%	1,837,165	100.0%	2,018,033	100.0%	2,300,539	100.0%	2,470,744	100.0%
Interannual growth rate	18.3%		12.6%		9.8%		14.0%		7.4%	
Index (Year 2000 = 100)	100.0%		112.6%		123.7%		141.0%		151.4%	
Of which: Value added in Spain	1,626,196		1,825,270		2,012,367		2,221,527		2,307,077	
Interannual growth rate	19.0%		12.2%		10.3%		10.4%		3.9%	
Index (Year 2000 = 100)	100.0%		112.2%		123.7%		136.6%		141.9%	
Pro memoria:										
GDP at current prices (€ million)	609,734		653,289		698,589		744,754		*793,200	
Interannual growth rate	7.8%		7.1%		6.9%		6.6%		6.5%	
Index (Year 2000 = 100)	100.0%		107.1%		114.6%		122.1%		130.1%	
Contribution to GDP	0.267%		0.279%		0.288%		0.298%		0.291%	

* Ministry of Economy - Macroeconomic forecast 2003-2005 (updated 12.23.2004)

Fig.1. Added value
(Index Year 2000 = 100)
and contribution to
Spanish GDP (%)



EMPLOYMENT CREATED BY THE BANCO POPULAR GROUP

In addition to its contribution to the growth of the Spanish economy as discussed in the preceding Section, the Group has also had a positive impact in terms of employment.

Banco Popular has applied for many years an active policy of hiring new employees, most of whom (nearly 80%) are very young persons with previous working experience generally not exceeding two or three years. They are hired on 6 month contracts and during this period they rotate among different job positions but are paid the same salary as if they were permanent staff. At the end of this trial period, and based on the evaluations obtained by them and, provided that they successfully pass three interviews with management, they are added to the permanent headcount. In 2004, the Group gave indefinite contracts to 64% of the persons selected by the aforementioned process. Thereafter, the Group offers them a long-term professional career plan, without any limits other than those arising from their effort, capability, dedication and professional performance.

The consolidated Group's headcount at 2004 year end numbered 13,127 up 0.3% over the 2003 figure. Of this total, 11,778 are employed in Spain and the remaining 1,349 abroad, mainly in Portugal.

In 2004, Banco Popular and its regional banking subsidiaries had 11,401 employees, practically the same as in 2003 (11,451), of whom 97% were on indefinite contracts and the remainder on temporary contracts. New hires in 2004 numbered 901 - of whom 44% were female -, a substantial increase over 2003 when there were 668 new hires (42% female). These figures do not include temporary staff contracts, mainly arranged for the high season in tourist resorts (322 and 310, respectively, in the two years considered). Total new hires in 2004 numbered 1,223, compared with 978 in 2003. BNC, the Group bank in Portugal, added 96 new employees in 2004.

Analysis of the Group's headcount in the last five years discloses a growing progression, with cumulative growth of 13.8% since the end of 1999, and with net job creation in all those years. The staff in Spain also increased in the five year period, although to a lesser degree due to early retirements, with growth of 3.1%. The foregoing figures are all the more significant because Banco Popular heads all Spanish banks in efficiency, with an advantage of around 14 percentage points over the financial system as a whole.

The growth of the Group's headcount reflected in the foregoing data contrasts sharply with the marked fall in the number of employees of Spanish banks as a whole. Considering the staff in Spain, Banco Popular increased employment by 3.1% in the last five years, whereas employment in the Spanish banking sector fell by 12.2% (the figure through 2003, since data for 2004 are not yet available), signifying the loss of more than 15,000 jobs in four years.

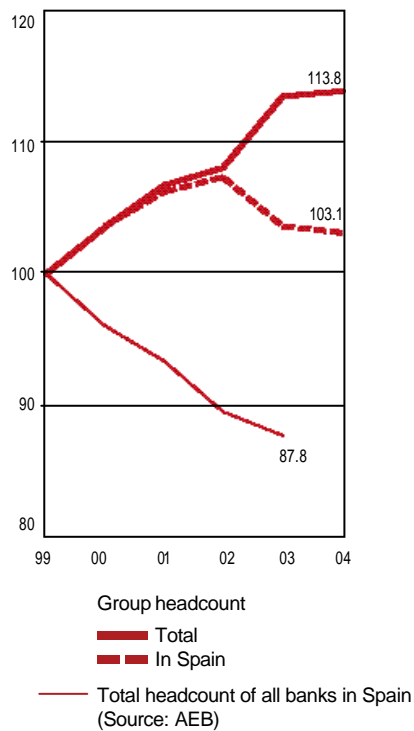
The following table and figure show the evolution of the Group's staff and that of all Spanish banks in the period considered.

3. Evolution of employment at the Banco Popular Group

	1999	2000	Var.	2001	Var.	2002	Var.	2003	Var.	2004	Var.
Total headcount of Banco Popular Group											
Popular Group	11,539	11,943	3.5%	12,309	3.1%	12,464	1.3%	13,089	5.0%	13,127	0.3%
In Spain	11,419	11,825	3.6%	12,123	2.5%	12,248	1.0%	11,834	-3.4%	11,778	-0.5%
Outside Spain	120	118		186		216		1,255		1,349	
Index (12.31.99 = 100)											
Total Group headcount	100.0	103.5		106.7		108.0		113.4		113.8	
In Spain	100.0	103.6		106.2		107.3		103.6		103.1	
Pro memoria: Total headcount of all banks in Spain*											
all banks in Spain*	126,392	121,443	-3.9%	118,010	-2.8%	113,295	-4.0%	110,981	-2.0%	nd	
Index (12.31.99 = 100)											
Total headcount of all banks in Spain	100.0	96.1		93.4		89.6		87.8		nd	

*Source: AEB Spanish Banking Association

Fig.2. Employment at the Group and at Spanish banks (Index 12.31.99 = 100)



1.9. CORPORATE GOVERNANCE

Corporate governance initiatives do not end with the drafting of rules, reports or detailed regulations; on the contrary, the principles of corporate governance must pervade all the activities of the Group, in a dynamic process of receiving and applying new developments in this sphere from the economic and cultural environment.

In order to enhance transparency and reach optimum levels of efficiency in its governance, the Banco Popular Group constantly improves its actions in the area of good governance, as is evidenced by the advances achieved in the efforts regarding reporting and transparency. This is the framework of the efforts as regards information and internal organization of the Group in the following fields:

- Corporate Governance Report
- Website
- Secretary's Offices of Group entities and Corporate Counsel Department.

CORPORATE GOVERNANCE REPORT

In 1998, and following the recommendations of the Olivencia Report, the Group published its first Corporate Governance Report, evidencing that many of the good governance recommendations referred to practices in place in the Group's governance since the last third of the 20th century (separation of ownership and management, no speculation, balanced composition, reasonableness of remuneration, reporting transparency).

Since then, the annual Corporate Governance Reports have included the criteria and the best principles guiding the actions of the Group, which constitute the profiles of its own corporate culture that have been shaped over the years, with constant updating in a determined process of adjusting its corporate policy to conform to the new developments and best recommendations.

The Corporate Governance Report forms part of these annual reporting documents and can be consulted in the records of the Spanish Securities & Exchange Commission and on the Bank's corporate website.

CORPORATE WEBSITE

The corporate website, accessed through www.grupobancopopular.es, www.bancopopular.es and the electronic addresses of the banking subsidiaries, aims to project the Group's corporate image, covering both the various business aspects of relevance for customers (products, simulators, information about branch offices, subsidiaries, etc.) and for investors.

It provides a direct link with the Legal Information for Investors and Shareholders, comprising all the points required by the market, with general information about the Group and financial information and corporate governance matters of Banco Popular and of the banking subsidiaries which are listed companies.

Below is a list of the information that can be consulted on the website:

GENERAL INFORMATION

History
 Functional organization
 Branch office locator
 Notice board
 Customer Ombudsman
 Other documents

SHAREHOLDERS - INVESTORS

Channels of communication
 Shares - Capital Stock
 Investor's Diary
 Dividends
 Issues
 Significant events
 Significant shareholdings
 Treasury Stock
 Shareholders Office

CORPORATE GOVERNANCE

Bylaws
 Shareholders Meetings
 Shareholders Meeting Regulations
 Board of Directors
 Board of Directors Regulations
 Corporate Governance Report
 Internal Rules of Conduct

ECONOMIC & FINANCIAL INFORMATION

Annual Reports
 Quarterly Reports
 Ratings

Visits to the website, including both inquiries and transactions of online banking customers, in 2004 were as follows:

4. Visits to the Banco Popular Group website

	CORPORATE WEBSITE		CORPORATE GOVERNANCE INFORMATION		
	NUMBER OF VISITS	AVERAGE PER DAY	NUMBER OF VISITS	AS % OF TOTAL VISITS	NUMBER OF REPORT DOWNLOADS
January	74,647,524	2,871,058	7,156	0.63%	122
February	12,892,781	537,199	1,333	1.03%	138
March	17,798,376	508,525	2,284	0.59%	115
April	51,933,086	1,675,260	5,873	0.46%	235
May	34,563,969	1,080,124	3,246	0.38%	106
June	33,578,926	1,083,191	3,435	0.33%	71
July	47,670,164	1,537,747	5,361	0.33%	110
August	39,941,677	1,248,177	5,051	0.36%	57
September	85,552,289	2,759,751	9,669	0.33%	184
October	33,114,579	1,068,212	4,008	0.39%	97
November	88,568,244	2,857,040	8,013	0.34%	178
December	93,461,456	2,920,670	9,477	0.30%	191
TOTAL	613,723,071	1,192,299(AVERAGE)	64,906		1,604

SECRETARY'S OFFICES OF GROUP ENTITIES AND CORPORATE COUNSEL DEPARTMENT

As part of the process of progressive implementation of the best good governance principles and recommendations, on March 17, 2004, the Banco Popular Group set up the Corporate Counsel Department, reporting functionally to the office of the Secretary of Banco Popular, in order to respond with the necessary high degree of specialization, to the new legal requirements as regards corporate governance and corporate social responsibility and to the increasingly strict demands of the regulatory bodies.

The functions of this department include institutional legal support, specifically legal guidance to the Board of Directors and its committees, and assistance on the tasks proper to the office of the Secretary of the Board.

1.10. SHAREHOLDERS

Pages 60 and 61 of the Management Report and Chapter A of the Corporate Governance Report, published jointly with this present Report, refer at length to the Group's shareholders. Here, reference is made to the Shareholders Meeting and the Shareholders Office as a communication link between investors and the Bank.

Within the Bank's general policy, the shareholder is a key element in its governance and its day-to-day management. Indeed, the Banco Popular Group is characterized by the close link between ownership and governance, i.e. between the Shareholders Meeting and the Board of Directors. Specifically, it is particularly noteworthy that nearly 40% of the ownership of Banco Popular is habitually represented on its Board of Directors.

The modus operandi of the Shareholders Meeting has been shaped progressively over time, as part of a corporate culture whose final purpose is to get closer to shareholders by offering them adequate and increasing conduits of information and participation in the Bank's most important decisions.

In accordance with the recommendations on good corporate governance enshrined in Spanish legislation, each listed banking subsidiary of the Group has its own Shareholders Meeting Regulations stipulating, inter alia, the rules for organization, call, preparation, information, attendance and conduct of such meetings, in order to facilitate exercise by the shareholders of their rights.

The principles that have shaped the modus operandi of the Shareholders Meetings, and particularly Ordinary Meetings, include most notably their nature as an open meeting, with a policy of transparency, promptness, objectivity and depth of the information to shareholders whereby the annual information to the shareholders customarily starts to be disseminated at the end of January of each year and formally ends with the holding of the Shareholders Meeting. Shareholders thus have a long period of time in which to request clarification, to make inquiries and to submit proposals. A similar spirit of information and participation underpin the regulations for Extraordinary Meetings.

Similarly, the Group has a policy of proximity to its shareholders which, apart from other means, is routed through the Shareholders Office on two different but interrelated levels: that of information and that of participation in the life of the Banco Popular Group. The shareholders, as owners of the business, must have accurate, adequate, clear and timely information, signifying that the duly verified financial information of the Bank is entirely at their disposal from when it becomes available. This availability of information is not confined merely to its delivery but is intended to facilitate understanding of the information and clarification of inquiries by shareholders to the Board of Directors and senior management. Also through differing channels of communication, the intention is to encourage participation by shareholders, by means of their proposals and contributions to the development of the life of the Bank and the performance of its activities.

The Shareholders Office of Banco Popular was set up in 1972, and its functions were expanded and its contacts with shareholders were diversified in the late 1990s. The changes in the securities markets in recent years and the development of new technologies facilitating mass access to information have multiplied the requests for increasingly specialized information.

The main function of the Shareholders Office is to achieve fluid communication with current or potential small shareholders by means of personalized treatment and the provision of clear and updated information enabling them to follow the progress of the Bank.

In addition to contacts by telephone, in writing or in person, the last two years have seen a substantial increase in inquiries by e-mail, since the Shareholders Office has its own e-mail address (accionista@bancopopular.es), which can be accessed through the Bank's website, where there is a specific section for shareholders.

The questions most often asked by shareholders have to do with the market price, evolution and fundamental data of the shares, quarterly and annual earnings, dividends paid and composition of the shareholder base.

The Shareholders Office plays a special role in the organization of the Shareholders Meeting. Starting from publication of the notice calling the Meeting, shareholders may inquire about the items on the agenda and request information and clarification about them. The corporate website also publishes the notice of the Meeting, the complete contents of all the resolutions proposed and all the related documentation (financial statements,

management reports, reports of independent experts, etc.). After the Meeting, the corporate website publishes all the resolutions adopted and provides the same information with respect to the previous year's Shareholders Meeting.

Shareholders owning 106,602,308 shares, representing 46.88% of the capital stock, were present at the Shareholders Meeting on June 24, 2004, which was attended in person by shareholders owning 2,150,434 shares (0.94% of the capital stock) and by proxies for shareholders owning 104,451,874 shares (45.94% of the capital stock).

1.11. AWARDS

The most important awards granted to the Group in 2004, evidencing the quality of its management, were as follows:

2003 Bank of the Year Award from Banca 15

This award was made to Banco Popular in 2004 as the best bank in 2003 by virtue of its profitability, solvency and efficiency and the success of its strategy focused on customer banking.

"Cinco Días-Lipper" Awards to the best mutual funds in 2003

In March 2004, the Fondo Iberagentes Popular Biogen mutual fund managed by Popular Gestión Privada was honored as the best equity fund in the health and pharmaceutical sector.

Lafferty European Credit Cards and Consumer Finance Awards 2004

In the latest edition of these awards, which honor excellence, innovation and success in the means of payment industry in Europe, Banco Popular Español was named in May 2004 as "best provider of consumer credit products and cards in the Iberian peninsula".

"Actualidad Económica" 2004 Best Manager Award

In November 2004, the weekly journal "Actualidad Económica" honored the Group's Chairman, Ángel Ron, as the Best Manager of 2004.

Retail Banker International Award for Retail Bank of the Year in Spain

At the Retail Banker International Awards ceremony in December 2004, Banco Popular was honored for its strength in the Spanish retail banking and consumer credit products market.

In May 2004, the weekly journal "El Nuevo Lunes" published its league table of Spanish banks, which for solvency and profitability was headed by the Banco Popular Group. This ranking took into account, apart from research by the journal itself, the ratings granted by the leading international rating agencies. It should be noticed in this respect that the Banco Popular Group has topped this league table without interruption for the last 17 years.

2. STAKEHOLDERS

2.1. CUSTOMERS

COMMERCIAL STRATEGY

The Group's commercial strategy is centered on relationship banking with and for customers. Accordingly, the Group's 2004-2006 strategic "Suma Plan" focuses on financial personalization, with the customer as the point of reference for all the Group's commercial actions arising from the Plan.

A customer is defined as any individual or legal entity that has entered into at least one contract with any Group entity. Of the customers of the Banco Popular Group, 7.8% are legal entities and 92.2% are individuals, of whom 53.34% are men and 46.66% are women, with an average age of 40 and 94% of them of Spanish nationality. 40% of them are employees and the remaining 60% are self-employed persons, professional practitioners, traders and SMEs. As regards their linkage with the Group, 37% of the customers have contracted for 4 or more products.

The Group has recently drafted a set of rules, contained in its manual for conveyance of information to customers, for the marketing of investment products, with special emphasis on the principle of customer protection. This manual identifies a type of customers, retail investors, so as to adapt products to their characteristics, in accordance with their needs and preferences, and thus optimally guide them about their investment. Treatment of customer data addresses characteristics of two types:

- a) Characteristics depending on the evolution over time and the relationship with the Banco Popular Group, including, for example, present and potential savings, percentage of the customer's savings managed inside the Group and percentage managed at other entities; types of products and their specific weight in the customer's total savings portfolio, and the saver's tax status.
- b) Characteristics more related to the saver's risk profile, i.e. conservative, balanced or adventurous.

The Banco Popular Group applies its strategy of profitable growth, focusing on the retail commercial banking business, in which it has a recognized competitive edge in two prime areas: business banking, with special emphasis on SMEs, and the individual customer segment. The customer base continued to grow strongly, and at December 31, 2004, the Group had 5.7 million customers. Commercial action continues to be based on customer banking, not product banking, boosting customer bonding by cross-selling - 3.25 products per customer compared with 3.11 in 2003 - and using all the distribution channels in an integrated and complementary manner, including, most notably, online banking, which now has 1.66 million users. The distribution channels are as follows:

Internet Banking

The Group's corporate portal and bancopopular-e. Bank-online, the Group's Internet distribution channel has 1,661,000 customers, up 380,000 (30%) in 2004. These figures reflect the close interrelationship between the Internet services and conventional banking services. The corporate portal contains exhaustive information about the products of the banks and subsidiaries, and includes other value-added services (business search engine, information about companies) and links with other Internet portals. Bancopopular-e, the Internet bank, has been profitable since 2003. Its focus on customer banking rather than product banking evidences the rightness of its positioning on the map of online finance entities in Spain.

Banking for Individuals

The Group's approximately 5.7 million customers are segmented by profession, education or age. In its keenness to adapt to the new demands from this category of customers, the Group has decided to focus heavily on investing in technology to enable it to anticipate and adapt to this environment, providing quality services as the main lever for growth and customer bonding.

Personal Banking

To cater for this segment, the Group has a service which, in addition to personal attention, includes commercial actions and specific campaigns, customized offerings of products or product packages, and access to information through a specialized website and a call center staffed by a highly qualified team. At 2004 year end, the Group had 97,700 personal banking customers with balances of over €12,000 million.

Private Banking - Popular Banca Privada

This entity, which forms part of the Group as an independent bank, has a specialized commercial network providing private banking services to 18,600 customers and €2,212 million of assets managed. Through a highly qualified personal asset manager, the private banking customers have access to a broad range of specialized services ranging from securities portfolio management to advice on tax, real estate, corporate finance or inheritance matters.

Business Banking

At 2004 year end, there were 102 agreements in force with business groups. The exclusive business portal www.popularempresas.com is a supplementary/alternative channel of communication and advice about the products and services most demanded by the over 452,000 businesses which are Group customers. Through this portal, all businesses, regardless of their size, activity or organization, are offered services supplementary to purely financial services, in many cases without charge, which are of great interest for businesses. In this respect, special mention may be made of the technological offering whereby a business can create its own website or its own online store, have access to travel agencies, financial advisers, ... The [popularempresas](http://www.popularempresas.com) service is a very useful management and information tool, especially for SMEs.

The aim is for it to be the online platform of SMEs which are offered:

- a set of tools that guarantee their presence on the Internet and make online sale of their products and services possible: website and online store, together with their associated services.
- a point of access to value-added services facilitating the SME's habitual activity via the web.
- an environment of access to information of a business nature, with constant updates.

CUSTOMER SATISFACTION

In conjunction with outside advisers specializing in market studies, the Group conducted research to diagnose the degree of satisfaction of its customers.

Index of Overall Satisfaction

The findings of the research disclosed a high level of overall satisfaction among Banco Popular Group customers, which was clearly better than the average for customers of Spanish banks as a whole; specifically the index was 7.47 for Banco Popular Group customers, higher than the average for customers in the sector as a whole. The findings significantly highlighted the satisfaction with respect to the quality of the services provided by the Group's branch offices to customers, and also the satisfaction with the Group's customer communications and Internet banking services.

Another noteworthy finding was the very positive evaluation of the satisfaction of customers operating with some Group bank or company as their second entity.

CUSTOMER SERVICE

The fact that the Group's strategy focuses on customer banking makes it easy to understand the capital importance of customers as the foundation of the Group's structure. Accordingly, the Group has for many years endeavored to provide its customers with adequate communication channels for them to express their agreement or disagreement with how it operates.

In 1977, in order to keep a close watch on the quality of the service rendered to the customers of its Group entities, Banco Popular set up a Customer Service Office to serve as an appropriate conduit for customer complaints and claims.

From then, this Office has been responsible for receiving, analyzing and solving the enquiries, suggestions, complaints and claims submitted by customers of the Group, for correcting the errors or improper conduct of staff members, and for putting in place the means of avoiding their recurrence.

The Bank of Spain Claims Service was set up and the post of Customer Ombudsman was institutionalized at credit institutions in 1987. From that moment, with its ten years of experience, the Office formally became the Customer Ombudsman, a role which it had in fact been performing until then. In order to avoid any outside influences on its

decisions and to endow it with maximum independence and freedom, it was organizationally linked to the Chairman's Office. This complete lack of dependence on the operating network or other administrative areas enables it to perform its tasks with the total independence it requires.

Law 44/2002 on Financial System Reform Measures made it obligatory for all finance entities to have a customer service department or unit to handle and resolve customers' complaints and claims relating to their legally recognized interests and rights. Law 35/2003 on Collective Investment Institutions extended this obligation to collective investment institution management companies with respect to the shareholders of investment companies or participants in mutual funds.

To implement the provisions of Law 44/2002, Ministry of Economy Order 734/2004, dealing with customer service departments and units and the customer ombudsman of finance entities, made it obligatory for such entities to adopt Customer Ombudsman regulations. Within the period stipulated in this Order Banco Popular's Board of Directors approved Customer Ombudsman Regulations to regulate the activities of the Group's customer service function, and these Regulations were also adopted by the Boards of Directors of the Group entities.

The activity of the Customer Service Office helps to insure that the Group's relationships with its customers always conform to the principles of good banking practice and customs and of transparency in information by acting with respect to the customers as a neutral mediator empowered to analyze their complaints and recognize their rights.

The Office intervenes in any dispute between customers and the Bank, except for those affecting decisions to assume risks or involving litigation in the courts. The remit of the Office also has a pedagogical element, in that it transmits uniform criteria for handling and resolving incidents within the Group organization without the customer having to have recourse to other instances.

The protracted experience of the Customer Service Office was fundamental for its conversion into the customer service unit to have involved only a change of name and the drafting of regulations, which to a very great extent ratified the operating procedures that it had been applying long before the legislation regulating its existence and activities were published.

Similarly, the raising of the awareness of the entire operating network to customer service and treatment, after nearly three decades of activity, may be said to have been fundamental for keeping the number of complaints and claims from customers at an insignificant level, either absolutely or relatively, although for the Group the fact that there are unhappy customers means that something needs improving, however low the level of incidence may be.

Complaints and claims

It is practically impossible to provide statistics comparing the Group's figures with those of other finance entities, since we have no knowledge either of the number of incidents handled by their respective claims services or of the criteria applied in calculation by each of them. The only comparable data are those of claims submitted by customers to the Bank of Spain's claims service; otherwise the comparison must be with ourselves based on the number of incidents in recent years, which represent quantitative and qualitative aspects of the Group's levels of quality as deduced from the number, nature and outcome of the incidents dealt with.

5. Matters cleared by the Banco Popular Group's Customer Service Offices

Year	Claims	Complaints	Inquiries or suggestions	Total
2004	1,403	1,546	233	3,182
2003	1,410	1,369	225	3,004
2002	1,066	1,398	290	2,754
2001	839	1,176	486	2,501
2000	714	833	454	2,001

6. Types of matters cleared

Area affected	2003		2004	
	Number	%	Number	%
Asset transactions	696	23.17	642	20.17
Credit cards	605	20.14	802	25.20
Liability transactions	496	16.51	635	19.95
Sundry	394	13.12	269	8.45
Bills of exchange, checks, direct debits	220	7.32	210	6.60
Sundry inquiries	217	7.22	233	7.32
Government securities & debt	143	4.76	153	4.84
Transfers	124	4.13	122	3.83
Personal treatment	97	3.23	112	3.52
Foreign exchange and notes	12	0.40	4	0.12
Total Group	3,004	100.00	3,182	100.00

7. Decisions of the Banco Popular Group's Customer Service Office

Decision	2003		2004	
	Complaints	Claims	Complaints	Claims
In the Bank's favor	605	388	693	445
In the claimant's favor	463	981	512	920
In both sides' favor	3	38	22	38
No decision	298	-	319	-
Litigation	-	3	-	-
Total	1,369	1,410	1,546	1,403

8. Time taken to clear matters (%)

	2003			2004		
	1-10 days	11-30 days	Over 30 days	1-10 days	11-30 days	Over 30 days
Claims	16.28	26.19	57.53	19.46	29.22	51.32
Complaints	29.91	29.48	40.61	38.94	29.82	31.24
Inquiries	33.48	33.48	33.04	48.93	33.91	17.16
Total matters	23.81	28.22	47.97	31.08	29.86	39.06

9. Claims, etc. against Banco Popular Group routed through the Bank of Spain

Matters cleared	2003	2004
In claimant's favor	14	9
In Banco Popular's favor	48	51
No decision	9	8
Total	71	68

The table in the annual report of the Bank of Spain's Claims Service for 2003 (the most recently published) includes Banco Popular among entities with 20 or more claims, specifically 64, on which the Bank of Spain reported on 41 cases during 2003. No other entity in our banking Group was included in the table. Of the 41 reports issued, only 3 (7.3%) found for the claimant, whereas there were 29 reports favorable to the Group's assertions (70.7% of the total).

To assess the level of customer satisfaction and the level of operating quality, it is appropriate to relate the number of incidents with the number of Group customers and the number of transactions made by them.

10. Index of operating quality

	2003	2004
Number of customers	5,298,187	5,696,449
Number of transactions	248,946,767	259,162,061
Number of incidents	3,004	3,182
Claims to Bank of Spain	71	68

The Customer Service Unit is located at Velazquez 34, 28001 MADRID, telephone: +34 91 5207111, fax: +34 91 5779826, e-mail: atencionclientes@bancopopular.es

PRODUCTS OF SPECIAL SOCIAL BENEFIT

The Banco Popular Group has a vocation of service to society as a whole, including each of its different social spheres and groups. Accordingly, the Group markets products specially designed to meet the specific needs of certain specific groups, and products and services designed to meet a social need, with special emphasis on support for the disadvantaged. The first category includes most notably groups with common interests (associations, labor unions, schools, etc.) or of a certain age (Pop Club and Senior Club). Noteworthy in the second category is the TRABEX program for foreign workers.

SENIOR CLUB

The Senior Club is an exclusive program of the Banco Popular Group for pensioners over 50 years of age, with numerous financial advantages and services designed to enhance its members' quality of life, the only requisites being that their pension be paid into a Club account or pass book and they have a Senior Club Visa card. At the end of 2004, the Senior Club had 112,782 members.

POP CLUB AND POP CAMPUS CLUB

Youth is represented in the Banco Popular Group through the Pop Club, for young people between 18 and 28 years of age, and Pop Campus Club for university students in the same age group. The number of customers in 2004 was 131,602. Through its website www.club-pop.es, the Pop Club offers services of all kinds to young people, ranging from financial products to remote banking and various entertainment options.

Similarly, the Pop Club magazine includes editorials and free advertising for various entities, NGOs and socially oriented projects. The magazine, with a circulation of 100,000 copies, has provided support for Payasos sin Fronteras, Médécins sans Frontières, Navidades Solidarias, the MTV concert for victims of the Madrid bomb outrage, etc. The website includes a specific section on solidarity, providing social action information for the younger generation.

CUSTOMER GROUPS

Since 1991, the Group has been developing specific products for certain homogeneous groups of customers in line with its policy of offering personalized services to customers, in order to meet the financial needs of specified groups of persons that require specific solutions.

Collaboration agreements are therefore entered into with the representatives of these groups, i.e. councils, colleges, associations, labor unions, etc., offering them tailor-made services. Because of these agreements, the loyalty and bonding of these customers are stronger than those of other customers, since they permit continuity in the activities of the Group for them.

In 2004, there were 490 of these agreements in force (some of them of national scope and others of a regional nature) with 91 customer groups. At December 31, 2004, the number of contracts was 601,000 for a total amount of over €9,984 million, 36.9% more than in 2003.

COOPERATION AGREEMENTS WITH DEVELOPMENT BANKS

In 2004, the Banco Popular Group entered into an agreement with the Asian Development Bank (ADB) to foster foreign trade with Asian developing countries, under a Trade Finance Facilitation Program in which the Banco Popular participates as a cooperating bank in Spain.

The Banco Popular Group participated in a similar program of the European Reconstruction and Development Bank for Eastern Europe in 1999.

The main aim of the ADB program is to provide coverage for the cooperating banks against commercial and political risks in foreign trade operations arranged by certain banking entities in some developing or troubled Asian countries.

The agreement with ADB aims to foster bilateral trade with these developing countries which suffer from a lack of confidence following the Asian crisis in 1998, and also to facilitate the internationalization of Spanish companies, especially SMEs in countries with which there have been so far very scant commercial links and in which the banking systems are not very stable.

TRABEX PROGRAM - FOREIGN WORKERS

The Group pioneered service to foreign workers in Spain, and the TRABEX program initiated in 1987 assists this group of people in two ways: by helping them, on the one hand, to integrate by introducing them to the Spanish banking system and, on the other to maintain their links with their respective countries of origin. The program analyzes the evolution of this social group qualitatively and quantitatively. From the commercial standpoint, specific products are designed for individual nationalities and commercial campaigns are conducted. The Group currently has over 230,000 individual foreign customers, and the number is growing at a rate of approximately 2,000 new ones each month, generating €772 million of business.

The TRABEX program is based on two products specifically designed for foreign workers in Spain:

- A money remittance service on preferential market terms. Approximately 137,000 such remittances are made each year, with an average amount of €690 each. The countries to which this service is provided are the Philippines, Poland, Morocco, Ecuador, Dominican Republic, Peru and Colombia, to which Argentina, Bolivia and Rumania will be added in the near future.
- Repatriation insurance in the event of death.

The Banco Popular Group has also recently set up a program to facilitate home purchase loans to foreign workers in their countries of origin, with the cooperation of banks in those countries. This is an extremely innovative program, since it enables foreign workers in Spain to have access to a home in their countries of origin at more favorable interest rates and without having to travel to complete the procedures. Banco Popular is the first Spanish bank to provide loans of this nature without recourse to agent banks.

INSURANCE AND PENSION PRODUCTS

The Group has certain products, mainly in the life insurance-saving field, aimed at meeting the future needs of children and young people when they reach the age of 17, an example being our Youth Savings Plan. In general terms, most of these products allow for periodic and systematic savings from €50 per month, making it feasible for any economic stratum to participate, with a guaranteed interest rate at maturity. The Youth Savings Plan policies at December 31, 2004, totaled 68,099, compared with 63,128 at the end of 2003. 12,234 plans were initiated in 2004, an annual growth rate of 7.87%.

Also, the pension plans for SMEs open up the way to supplementary coverage at an average rate of €30 per month (with a minimum of €6 per worker and month). There were 2,756 plans in force in 2004, signifying growth of 19.73% over the 2,301 at 2003 year end.

2.2. EMPLOYEES

STAFF RECRUITING AND HIRING

The importance of insuring that individuals joining the Group should be of the utmost excellence in all respects makes extremely meticulous processes of selection an obligatory necessity.

In this respect, the Banco Popular Group only hires individuals whose overall evaluation is of high qualification in all variables, with special emphasis on a person's risk intuition capability and commercial skills, his or her adaptability to change, and IT and language skills. Job vacancies are advertised in the press, with due respect for the principle of equal opportunity. Similarly, job applications received by ordinary mail or via the Group's website are always treated with criteria of professionalism and independence, applying objective evaluation systems and making the selection on the basis of the merits and abilities of each applicant, with no discrimination on the grounds of gender or social class.

During 2004, 1,226 new employees joined the Banco Popular Group, of whom 44% were women and 56% were men.

The following tables of statistical series for the last five years address various aspects of the staff. It will be seen that the Banco Popular Group has successfully recorded net job creation year after year, despite the early retirement programs, leading to a significant rejuvenation of the personnel. (The data refer to Banco Popular and its regional banking subsidiaries.)

11. Banco Popular Group headcount at year end

Distribution	2000	2001	2002	2003	2004
Men	9,691	9,806	9,559	9,062	8,816
Women	1,938	2,055	2,312	2,389	2,585
Total	11,629	11,861	11,871	11,451	11,401

12. New hires in the last five years

Distribution	2000	2001	2002	2003	2004
Men	835	818	759	571	689
Women	565	434	593	407	534
Total	1,400	1,252	1,352	978	1,223

13. Headcount by type of contract

Distribution	2000	2001	2002	2003	2004
Indefinite contract	11,158	11,414	11,558	11,168	11,212
Temporary contract	471	447	313	283	189
Total	11,629	11,861	11,871	11,451	11,401

14. Headcount by age and seniority at 12.31.2004

Seniority (years)	Age						Total
	Under 21	21 - 30	31 - 40	41 - 50	51 - 60	Over 60	
Under 6	2	2,829	683	26	2	–	3,542
6-10	–	98	973	16	3	–	1,090
11-20	–	5	1,217	439	27	1	1,689
21-30	–	–	4	1,418	868	15	2,305
31-40	–	–	–	742	1,882	43	2,667
Over 40	–	–	–	–	89	19	108
Total	2	2,932	2,877	2,641	2,871	78	11,401

PROMOTION

The promotions policy necessarily is directly connected with the training policy. At the Banco Popular Group promotion is a way of recognizing and taking advantage of each individual's capability, and signifies the assignment of greater responsibilities.

Promotion is the outcome of continuing theoretical and practical training and is based in any case on professional criteria of merit and capability. In the administrative scale, staff may rise by examination up to professional level VIII. Promotions involving the assumption of powers of attorney are made directly by Group management, since they entail the delegation of attributions requiring special trust.

Promotion possibilities for Group staff are strengthened by a series of factors forming part of its own corporate culture, including most notably:

- The sustained growth of the Group, with an increase in business volume and the addition of new branches.
- Drawing on in-house candidates to fill positions of responsibility.
- Shunning spectacular hirings of top executives.
- Applying a policy of incentives for early retirement to speed up the rise of younger generations.
- Applying a very broad and decentralized system of attributions that increases the chances of access to the professional scale.

The following table, showing promotions in the Group during 2004, reflects the promotions policy.

15. Promotions at December 31, 2004

	Women		Men		Total	
	Number	%	Number	%	Number	%
Headcount	2,585	22.7	8,816	77.3	11,401	100.0
Promotions	548	31.3	1,205	68.7	1,753	100.0

PAY

In the banking sector, as in all other business sectors in Spain, basic pay is regulated by the Collective Bargaining Agreement (CBA), which details the wage components and amounts for each staff category. However, the Banco Popular Group has established a system of incentives for adequately remunerating individuals discharging functions of special responsibility.

The body of professionals in the Banco Popular Group is numerous and varied. The remuneration system for this group of people must recognize their personal circumstances and periodically evaluate them to set the most suitable remuneration, adapting it to the flexibility and objectivity imposed currently by the labor market. The system demands closer monitoring of professional careers: all executives know how their superiors evaluate them at all times, thus facilitating communication between the two sides, which signifies, in short, a further step towards optimizing personnel management.

In 2002, a system of variable remuneration in bonus form was introduced in order to support the achievement of commercial objectives and to reward those employees that obtained the best results in their professional performance. This measure was again applied in 2003, upgrading the variables used for quantification purposes and increasing the number of beneficiaries. In 2004, this practice was continued enhancing the system and significantly increasing the number of beneficiaries compared with previous years, which signifies that on an overall basis the Group again attained its growth and profitability targets.

This bonus is payable both to executives and to clerical staff, is non-accumulable and non-consolidable, but is only paid to staff members who have performed exceptionally well on the basis of the criteria established. These criteria address variables and aggregates that are fundamental for the business, and also variables of a personal nature of importance for evaluating how the results were obtained, e.g. leadership capability, teamwork, initiative, motivation, contribution to improving the labor climate, degree of collaboration, efficiency, quality of the work, etc. The business variables focus on volume (Commercial Production Objectives), growth of lending and fund volumes, and on results (operating margin).

In 2004, a Long Term Incentives Program (LTIP) was set up to boost achievement of the Suma Plan business objectives. This program entitles Group staff that meet the requirements of the LTIP regulations to receive an amount of money if the business objectives set during its term are achieved. The main goals of the LTIP are to generate maximum commitment to long term success by sharing the value created and the profits generated, and to focus the staff on executing the Group's strategy and by modernizing the remuneration systems.

Pension Plans

Pursuant to Additional Clause 6 of the current Collective Bargaining Agreement for banks, to Article 87 of the Workers' Statute, and to the provisions of Royal Decree 1588/1999 on Externalization of Pension Commitments, an agreement was entered into with the employee representatives for the creation of occupational pension plans at the following Group banks: Banco Popular Español, Banco de Andalucía, Banco de Castilla, Banco de Crédito Balear, Banco de Galicia, Banco de Vasconia, bancopopular-e.com and Banco Popular Hipotecario. This agreement

includes the externalization of pension commitments to each bank's serving employees via an occupational pension plan which identified two groups:

Group A: A defined benefit plan for retirement, death of spouse and death of parent, and also for disability and death while on active service. This plan covers serving employees hired by the bank before March 8, 1980, and those hired subsequent to that date with vested rights to, or who are recognized by the bank as being entitled to, defined benefits for retirement. The defined benefit amount is detailed in Article 25 of each bank's pension plan regulations.

Group B: A plan of defined contributions for retirement and of defined benefits for disability and death while on active service. This plan covers serving employees of the bank hired on or after March 8, 1980, who are not included in Group A. For the coverage of retirement, the bank will contribute to the pension plan, on behalf of each employee who has joined the plan and has more than two years' seniority on the last day of the month preceding that in which the contribution is made, the following annual amounts:

- For employees of or over 40 years of age before December 31 of the year prior to the making of the contribution: up to 1.65% of the annual CBA salary at December 31 of the prior year, in two tranches: direct contribution of 1.30%; additional contribution of 0.35%, conditional on the employee contributing at least another 0.35%.

- For employees under 40 years of age at December 31 of the year prior to the making of the contribution: up to 1.50% of the annual CBA salary at December 31 of the prior year, in two tranches: direct contribution of 1.25%; additional contribution of 0.25%, conditional on the employee contributing at least another 0.25%.

In any case, the bank's annual contribution per employee cannot be less than €300.51, which will be increased by €60.10 per annum conditional on an additional minimum contribution by the employee of another €60.10.

Employee Benefits Guide

Following the preparation in July 2003 of a clear and concise guide to employee benefits (included on the Group's Intranet), in 2004 the range of products with preferential treatment for staff was expanded.

In 2004, Group employees were granted 2,253 salary advances, totaling €15,863 thousand; 94 of the advances were for computer purchases. Also, 1,785 personal loans were granted, totaling €34,708 thousand, and 956 mortgage loans, totaling €123,176 thousand. Also, 2,332 personal loans, totaling €33,086 thousand and 1,144 mortgage loans, totaling €142,764 thousand, were granted to members of employees' families.

Banco Popular has recently agreed with the union representatives that female and male employees that had taken at least 10 weeks' suspension of contract for childbirth will be entitled to substitute the 1 hour daily absence from work for the breast or bottle feeding of infants under 9 months of age by a paid leave of absence for 10 working days. This period is supplemented with two further working days, also of paid leave of absence, either as an extension of the aforementioned period or at any time during the first 12 months of life of the child.

INTERNAL INFORMATION AND EMPLOYEE PARTICIPATION

Internal Information

The Banco Popular Group's Style Guide, consisting of entries defined in such a way as to expound the principles and standards of the Group, includes the word "transparency" as a principle of action adopted since the return to democracy in Spain. In recent years, the Group has made an intensive effort to insure the general application of this principle throughout the organization.

In 2004, the Group upgraded the various internal communication channels as follows:

- **Suggestion Box.**- Since it was set up in October 2002, the Box has received more than 600 inquiries or suggestions, each of which was individually responded to. The principal topics related to professional unease, requests for training, requests for transfers and others of an administrative nature.

- **Visits to branch offices and central services.**- Under this program, which is the Group's in-house survey of the labor climate, the Personnel Management Office team visited various branch offices of the Group to conduct personal interviews with the staff. Since this program started in mid-2002, nearly half of the total number of branch offices have been visited and 39% of the staff of them have been interviewed.

- **Job vacancy announcements.**- Via the Intranet, opportunities for internal job promotions were communicated to cater for vacancies in different geographical areas. All applications were responded to by the appropriate channels; unsuccessful applicants were recorded as first options for meeting possible future needs in those areas.

- **Employee Portal.**- This portal, which is scheduled for start-up in mid-2005, will consist of three different areas: one for providing employees with information on Human Resources topics (payroll, vacations); a second for providing employees and their families with information about leisure, health, culture, etc., and the third to accommodate the Employees' Club, in operation on the Intranet since 2003, which offers employees and their families discounts on products and services, health insurance, gymnasiums, travel, vehicles, etc. The Club also organizes events in which employees and their families participate, such as the Christmas greetings competition for employees' children or organization of participation of many employees in the corporate Olympics involving various companies.

Employee Participation

Labor Unions

Open two-way communications are maintained with the union representatives, with frequent meetings at the request of either side.

Union Relations Office

The Union Relations Office is the conduit for relations and communication between management and the union representatives, and in practice is a permanent committee for contacts and negotiations between the two sides. It deals with issues of general application, avoids surprises for either side, is a tribunal of appeal for disputes and acts as a natural channel for the exchange of information, suggestions and proposals.

For communication purposes there is an open, fluid and ongoing dialogue between the workers' representatives and management, through which every effort is made to reach solutions satisfactory for both parties.

Through this office, the union representatives raise all the issues which they consider should be discussed with the Bank's management, and also labor issues which may either affect a single individual or the staff as a whole. The evolution of the Bank, organizational changes and general policies that directly or indirectly affect the staff are other matters discussed at the regular meeting between the unions and the management.

In the Banco Popular Group there are 561 union representatives directly elected by the employees. In this connection, the high level of participation in union representative elections is very notable, reaching 84% of all the Group's staff in the most recently held elections.

To perform their union activity the elected representatives have an hourly credit that may be taken during the working day. In 2004, more than 134,735 working hours were used for this task, including those relating to the prevention of risks at work, equivalent to the full working days of 80 employees.

In addition to the foregoing aspects, the union representatives participate on an equal footing with Group management in the nationwide Security and Health Committee.

Meetings with Union Representatives

During 2004, 41 meetings took place with the appointed union representatives to discuss topics of interest for both sides.

These meetings are responsive to participation of employee representatives in labor issues that affect them, and the frequency of these contacts is indicative of the ongoing dialogue between management and unions. In addition to these meetings there are habitual contacts between the union representatives and the Head of the Employee Relations Office to deal on an ad hoc basis with matters arising at a particular moment.

Nationwide Safety & Health Committee

Under current regulations, this Committee consists on an equal footing basis of management and employee representatives. Each of the Group banks has the related committee, as a participative body for regular and periodical consultation about the banks' actions in the field of risk prevention.

The nationwide Safety & Health Committee meets quarterly, and its remits include:

- participation in the drafting, implementing and evaluation of prevention plans and programs
- promotion of initiatives about methods and procedures for the effective prevention of risks, submitting proposals to management for improving conditions or correcting deficiencies.

The Group's Prevention of Risks at Work Service is responsible for permanent vigilance of health and safety at work.

On the union side, the provincial prevention delegates are the employee representatives with specific functions as regards the prevention of occupational risks.

Each Group bank has a safety and health committee.

Management cooperates in this task by granting working hour flexibility to the prevention delegates elected by the union representatives.

Bank staff pension plans

Each pension plan has its own control committee that supervises the functioning and operation of the plans. This committee comprises representatives of the plan members (employees) and, if appropriate, of the beneficiaries, and of the promoter (the company).

The control committees meet periodically to monitor the various plans. Some of the meetings were held to review the regulations of the different plans so as to conform them to the new legislation. Accordingly, in order to upgrade the level of training of the members of the control committees of the Group's pension plans, in 2004 ad hoc training was provided on the matters for which they are responsible; 24 members of the various control committees, most of them representing the participants, underwent this training.

The Professional Association of Executives

Since December 1977 there has been at Banco Popular a Professional Association of Executives, whose purposes are clearly set forth in Article 5 of its Bylaws: "The principal purpose of the Association is to achieve maximum participation of managers in the executive management of the Bank. It will also concern itself with improving the manager function, defending the professional, financial and welfare interests of managers, and stimulating the progressive skill building and promotion of all of the Bank's serving employees, without overlooking its retirees."

This objective of "participation in management" and the Association's own organization structure, fully consistent with that of the Bank itself insofar as all its representation bodies automatically conform to the division by Regions and Workplaces existing at any time, enable it to have instant knowledge of any circumstance, incident or news item of interest arising at each office, and to analyze the facts and express its viewpoints, so that the decisions that may be taken are based on accurate knowledge of each situation.

TRAINING

In a business environment as changing and competitive as at present, training plays a relevant and strategic role in the execution of the Group's present and future project. Training thus supports and contributes to the implementation of Group management's initiatives, and is also a basic tool for human resources management. Moreover, the creation of a sound training base enables the Group's professionals to address their career development on a guaranteed basis.

General action criteria:

- A single homogeneous training plan for the Group.
- Practicality (in the framework of the objectives and the needs of the business).
- Aid for professional development (by means of an adequate training mix of knowledge and skills).
- Universality (covers all the Group's employees).
- Balanced use of different training channels (classroom, distance, e-learning).
- Commitment and involvement of each individual in his or her training process.
- Vertebation of career plans.

The Training and Development Department, forming part of the Human Resources area, drives the putting into practice of these criteria.

The Training Plan addresses the training needs of each function and professional activity, and the actions composing it cover these needs. This Section provides information about the characteristics and content of these actions.

- Classroom actions
- Online actions
- Distance actions

There are at present the following training programs:

1º.- The **General Training Plan**, obligatory and common throughout the Group, which is structured having regard to access to the performance of new functions. It is structured by categories and includes classroom and distance sessions. The program content normally addresses commercial, professional-financial or management development, and emphasizes in all of them the development of personal skills. The General Training Plan is tailored to each employee's particular professional situation and takes the form of specific programs depending on the individual progress: there are specific plans for new employees, new authorized officers, new controllers and new managers.

2º.- **Competence Development Plan**. These training programs are intended to contribute to the development of the provisional competences defined by the Human Resources area for the various job positions:

- Training itineraries:
Map of the impact of the training actions on professional competences.
- "Comparte" Program:
Aimed at strengthening the teamwork strategic competence and intended for staff of Regional Management teams and Central Services of banking subsidiaries.
- Performance Evaluation:
This system is based on the analysis of competences, defined as a set of skills, knowledge and attitudes evidenced by behavior, which are easy to detect and evaluate. The aim is:

- To boost the personal and professional development of all professionals in the Group.
- To support the achievement of personal and business objectives.
- To define individual development plans based on observation and the generation of personalized support actions.

3^o.- **Executive Development Plan**, with actions intended for key personnel of potential in the Group, at different levels, for assuming executive responsibilities at short and medium term.

4^o.- **Enhancement & Specialization Plan**, consisting of actions to supplement and enrich the Training Plan. This heading includes commercial briefings to support product launches, knowledge enhancement in areas of specialization, among many other possibilities.

These actions are classified in five major groups:

Business development focused areas
 Reinforcement training areas
 Specialized areas
 Training programs for Personal Banking managers
 Training program for Business Banking managers

16. TOTAL TRAINING AT GROUP BANKS, 12.31.04

AVERAGE AGE OF TRAINEES	36.02
MEN	39.00
WOMEN	29.00
TRAINING PARTICIPANTS	21,692
Sex	
MEN	15,618
WOMEN	6,074
Category	
PROFESSIONAL STAFF	15,835
ADMINISTRATIVE STAFF	5,857
NUMBER OF STUDENTS	8,685
Sex	
MEN	6,253
WOMEN	2,432
Category	
PROFESSIONAL STAFF	6,340
ADMINISTRATIVE STAFF	2,345
NUMBER OF CLASSROOM HOURS	200,007
Sex	
MEN	144,005
WOMEN	56,002
Category	
PROFESSIONAL STAFF	146,005
ADMINISTRATIVE STAFF	54,002
NUMBER OF DISTANCE HOURS	102,217
Sex	
MEN	73,596
WOMEN	28,621
Category	
PROFESSIONAL STAFF	74,618
ADMINISTRATIVE STAFF	27,599
TOTAL TRAINING INVESTMENT, ALL BANKS	5,261,373
% OF STAFF IN TRAINING	79.80

SAFETY & HEALTH AT WORK

There have been significant changes in the regulations on prevention of risks at work since the Joint Prevention Service for the companies of the Banco Popular Group was set up in 1997, after prior consultation with the employees' representatives.

The Group accepts that the prevention of risks at work should form part of its activities and decisions as a whole, in technical processes, in the organization of work and working conditions, and in the corporate hierarchical line at all levels. The Group continues with its preventive tasks, in a process of ongoing improvement of its organization as regards the prevention of risks at work.

There were major changes during 2004 in the structure of the Prevention of Risks at Work Department that affected the human team and the functioning of the service: 3 certified occupational risk prevention professionals were added and, together with one of the professionals already in place, are evaluating all the Group's workplaces using the existing evaluation methodology. A qualified professional was also hired to carry out coordination tasks at national level and to monitor emergency measures in buildings.

Also cooperating are 90 prevention delegates appointed by the labor unions in proportion to the results of the latest union elections.

As regards healthcare, the Prevention of Risks at Work service has 3 in-house doctors and 5 qualified nurses in the Madrid, Barcelona and Valencia healthcare units.

Technical Prevention

In the technical prevention area, the addition of the regional technicians has led to significant progress in the implementation of the Group's evaluation procedure since it was set up in 2001 to replace the previous model. By December 31, 2004, 97.4% of the workplaces had been evaluated using this methodology since inception in 2001. Evaluation of the risks at all workplaces is scheduled for completion in the first quarter of 2005, an advance of nearly one year over the initial completion date.

Implementation of emergency measures continues, in accordance with Spanish national regulations, such as the Basic Building Regulations, and also having regard to autonomous government and municipal regulations on fire protection conditions. In all cases, after the facilities have been studied, human action teams are set up and given the appropriate theoretical and practical training, culminating in an evacuation drill exercise.

Healthcare

The Prevention Service permanently seeks to adopt the medical protocols recommended for banks by the Spanish Banking Association, in line with the medical healthcare protocols issued by the Ministry of Health and with the levels of risk detected at the Group's workplaces.

Accidents at work

The Banco Popular Group has a computer system to rapidly and efficiently record the accidents at work suffered by its employees, for subsequent investigation by the Prevention of Risks at Work Service. Since the data collected contain personal information, they are treated with the necessary confidentiality. The purpose of investigating accidents, apart from obtaining the related statistics and indices of occurrence, is to supplement the risk evaluation procedure, so that, by taking an accident as a risk indicator, certain deficiencies can be corrected and the repetition of harm to employees can be avoided.

Information and training

The efforts made in 2003 in providing training and information for all staff were continued in 2004. The Group's Intranet is used to convey relevant information such as datasheets, rules for action in case of emergency, or the composition of emergency teams. The "Formanova" portal, which all employees can access, has a training module on prevention measures. The information available on the Intranet will be updated and expanded in 2005 with new datasheets and additional content in the "Formanova" portal.

The members of emergency intervention teams receive theoretical and practical training on how to act in the event of an emergency.

RISK ASSESSMENT TABLES

17. Risk Assessment - GBPE Assessment Procedure

Locations assessed			Risks detected			
Total	Cumulative		Total			%
2004	GBP	%	2004	Cumulative	Eliminated	(eliminated)
751	2,001	97.4	1,305	3,510	2,358	67.2

18. Statistical analysis of accidents

Index	1999		2000		2001		2002		2003	
	GBPE	industry	GBPE	industry	GBPE	industry	GBPE	industry	GBPE	industry
Incidence	3.6	5.6	4.2	5.9	3.1	6.0	3.2	6.0	3.7	5.9
Duration	29.5	27.9	27.0	30.2	26.3	28.8	29.7	30.0	38.1	29.2
Frequency	2.1	3.3	2.4	3.5	1.8	3.6	2.3	3.6	2.2	3.5
Seriousnes	0.09	0.09	0.08	0.11	0.05	0.10	0.06	0.11	0.16	0.10

*Since data for the sector have not yet been published by the Ministry of Labor, the data for this year have been calculated as the average since 1999.

Healthcare of Banco Popular Group's employees is carried out following protocols, considering the most frequent risks at work. Accordingly, staff over the age of 50 undergo an annual medical checkup, and those under 50 have checkups every two years. These checkups are supplemented by tests for early detection of cancer and cardiovascular diseases. During 2004, a total of 5,186 medical checkups were performed.

Two objectives have been set for 2005 in the field of job safety and health:

- Design and subsequent implementation of an ergonomic and psycho-social evaluation procedure involving the measurement of environmental parameters and individual surveys, to supplement the general risk assessment. Implementation is scheduled for the second half of 2005 after an initial trial period in the first half.
- Occupational Risks Prevention Management System. Design has commenced of a dedicated computer platform for the Prevention Service to facilitate the processing of the large volume of data generated in preventive activities. Review of the management system and implementation are scheduled for 2005. Regard will be had to the requirements of OHSAS 18000 and ISO 9001 with a view to the audit of the Prevention Management System in 2007, so as to subsequently obtain certification of the Occupational Risks Prevention Management System.

2.3. SUPPLIERS

For contracts of significant amount, the Group's policy is to require the supplier companies to meet the most advanced recommendations on corporate reputation. Specifically, they are required to have the appropriate certificates of quality (ISO 9000 and ISO 14000).

The selection of suppliers must also consider their capability and solvency to fulfill their contractual obligations and commitments and, specifically in contract negotiation, the economic and service conditions that they can offer.

The customary procedure is to request bids from different suppliers which are evaluated both technically and economically. From the organization standpoint, the receipt of bids and related negotiations have been centralized in a single department, enabling the Group to obtain better conditions.

3. SOCIETY

FOUNDATIONS

The Group routes much of its social action through various foundations, to which it assigns part of its earnings, so as to enable these bodies, which specialize in this task, to carry out their activities in society - welfare, social, cultural - related with it, its companies and also the directors and executives. In fact, Banco Popular started making contributions to foundations in the 1950s by allocating to these entities and social activities the remuneration which their directors refrained from collecting, with the foundations taking over the task of handling, studying and routing the request for aid or assistance that reached the Bank or its executives.

Over the course of the years, this manner of understanding social action has crystallized in two major lines of action: not remunerating the directors, and recurring contributions from the Bank to foundations for the latter to carry out their social actions. It is also a basic criterion of the Group not to mix this social action with patronage, sponsorship or the marketing of the Group, to the extent that the name of the Group that set up and finances the foundations does not appear in the names of the latter.

Until 1980, the Fundación Hispánica was virtually the only one that received contributions from the Bank. Subsequently, others were added, and since 1981 substantially all the Bank's social action has been routed through the Fundación para Atenciones Sociales to which, as disclosed in the annual financial statements, the Group contributed a total of €21,619,670 in 2004, similar to the figure for the previous year; and through the Fondo Social de Cooperación (Fundación Vasconia), to which €1,154,231 were allocated, an amount similar to that of the previous year.

The Fundación para Atenciones Sociales is of national, or even international, scope, and it is therefore registered in the State Register of Foundations and reports to the Protectorate of the Ministry of Education and Science, without prejudice to the control of the tax authorities and the review of its financial statements by external auditors. The Fundación has no operating expenses, since its administration is carried out in full by volunteers. In this Fundación and in the Fundación Hispánica and the Fundación Vasconia, the Board of Directors of Banco Popular has a non-majority presence in their Boards of Trustees, thus safeguarding the independence of these entities.

The Fundación can be classified as an entity of last resort which acts at the request of a party, signifying that it does not create or sustain institutions but supplements the efforts of others and assists individuals and groups of people in the community. It gives special consideration to viable projects that may favorably impact the community in which they are carried out. Most of the funds are used for repayable financial aid: interest-free loans to not-for-profit institutions and entities with relevant objectives in areas of social content. It also cooperates, by routing the aid from the Bank, in the performance of institutional public projects, such as the amounts provided to the Fundación de Ayuda contra la Drogadicción, Fundación Príncipe de Asturias or the Fundación Real Academia Española which, by their nature, may need the support of private entities.

COLLABORATION WITH NGO PROJECTS AND NON-PROFIT ENTITIES DISASTER AID AND FINANCIAL AID

The Banco Popular Group collaborates with several non-profit entities and NGOs and assists in the collection of funds by these bodies, both actively and by making available various means of payment. These actions of direct donation or investment in no-charge services do not have a significant quantifiable cost. Highlights include:

1.- CAMPAIGNS AND COOPERATION WITH NGOs

- Aldeas Infantiles.- Cooperation in the annual Christmas card sale campaign.
- Cáritas.- Cooperation in the annual "Día de la Caridad" campaign, by installing a contribution table outside the main office of Banco Popular in Madrid.
- Red Cross.- Participation in the annual gold lottery by the sale of tickets through branch offices and the payment of prizes. In the 2004 gold lottery, 47,863 tickets were sold for €239,315 and seven prizes were paid.
- Domund.-Cooperation in the annual campaign for the missions by placing posters and leaflets in branch offices.
- Intermon.-Cooperation in the annual campaign by placing posters and coupons in branch offices to recruit members and obtain donations.
- Third World Youth.- Cooperation in the regional campaign by placing posters for the receipt of donations.
- Manos Unidas.- Cooperation in the annual campaign by placing posters and leaflets in branch offices to obtain participants and donations.
- UNICEF.-Cooperation in the annual Christmas campaign by the sale of Christmas cards.

2.- DISASTER AID

As regards emergency situations occurring in many parts of the world, the Banco Popular Group offers the possibility of routing the aid from individuals so that it reaches its destination as urgently as is required in these cases, for which it has a special website, www.ayudaaemergencias.org, which can be accessed either directly or through the corporate website. This special website gives information of all the accounts open for most recent disasters, and contributions to whatever solidarity account is desired can be made by electronic banking or at any Group branch offices. All the transfers are free of charge.

At the date of publication of this Report, the following accounts were open: Aid to the Dominican Republic and Haiti, Aid for Victims of the Madrid Bomb Outrage, and Aid to South-East Asia.

3.- IN-KIND AID

Cultural activities, congresses, anniversaries, aid to missions, projects, campaigns. This aid also includes assistance to religious institutions in setting up and maintaining their websites. Support in the organization of meetings, conferences, seminars, etc., on topics relating to banking. Preparation of the necessary documentation and material, presentation and display.

FINANCING FOR POLITICAL PARTIES, LABOR UNIONS & NGOs

The Bellas Artes Office was set up at the beginning of 1977 following the restoration of democracy in Spain and the first democratic elections in the second half of the 20th century.

From the outset, the Banco Popular Group decided to service this field although its novelty might involve possible interpretations as disproportionate commitments and risks, not only of a professional nature. This activity has been conducted with complete success, thanks to a combination of experience, values and information, which has enabled the Group to maintain a competitive edge over other entities.

The Office's analysts reported and decided on the requests for electoral loans to finance the 55 elections that have taken place to date (6 of them in 13 autonomous communities) as if they were requests from any service company, disregarding the political ideology of the applicants.

The loans are granted as an advance for the subsidies that each political party would collect on the basis of the future election results. Subsequently the relations established were strengthened until they became customers with needs common to any company, excluding the election financing.

This situation also exists with the two other major customer groups of the Office (labor unions and certain NGOs) with which transactions of all kinds are arranged after due analysis.

The average amount of such transactions in 2004 was €266,000, compared with €240,000 in 2003 (up 57.1%). The number of transactions was up by 62.6%. The following table details the number of transactions and their amounts in thousands of euros for each of the three groups in 2004 and 2003.

19. Financing to political parties, labor unions and NGOs

(€ thousand)

	2004		2003	
	No. of transactions	Amount	No. of transactions	Amount
Political parties	57	75,056	46	40,675
Labor unions	352	30,519	239	22,431
NGOs	17	7,675	13	8,334
Total	426	113,250	298	71,440

MICROCREDITS

The Group has a complete program of microcredits as a continuation of the financing agreement with the Official Credit Institute (ICO) for financing employment or business projects to encourage self-employment of individuals or micro-enterprises that have difficulties of access to financing because they lack personal guarantees or collateral. The transactions are routed through a Social Assistance Institution (IAS) which presents the new borrower and an analysis of the project's viability. The Group currently has contracts with 11 IAS of which 4 are municipal councils.

The profiles of the beneficiaries are:

Micro-enterprises: entities with fewer than 10 employees, sales of under €1 million (or annual balance sheet of less than €1.4 million) which are not 25% or more owned by a company or set of companies not qualifying as SMEs.

Individuals: over age 45, single-parent homes, female immigrants, long-term disabled or unemployed. To date, 50% of the transactions have been with women (20 transactions in 2004 and 67 in 2002-03).

AVERAGE LOAN AMOUNT: €21,500

20. Microcredit transactions

	<u>2002-2003</u>	<u>2004</u>
TRANSACTIONS	129	129
AMOUNT	2,531,436	2,772,292

EIB LINE

Similarly to the ICO microcredits, the European Investment Bank (EIB) has a financing facility for SMEs, aimed at financing, on special conditions, business projects of high interest in the fields of tourism, industry, environmental protection, energy saving, health, infrastructure creation, education, energy or housing.

In April 2004, the Group entered into a new agreement with the EIB for the financing of small- and medium-sized projects.

The beneficiaries of this funding are SMEs, i.e. with fixed assets not exceeding €75 million and with fewer than 500 employees.

The transactions under this agreement are arranged either as loans or as leasing arrangements, for a minimum amount of €40,000 and a maximum amount of €25 million: the financing is for 50% of the total amount of the project. The average amount of the loans granted is €70,000.

21. Transactions involving EIB funding

	<u>2002-2003</u>	<u>2004</u>
TRANSACTIONS	160	472
AMOUNT DRAWN DOWN	11,410,685	33,040,314

THE "IM BANCO POPULAR FTPYME 1, FTA" ASSET SECURITIZATION FUND

Pursuant to the Ministerial Order of December 28, 2001, on promotion agreements to favor business financing, subsequently amended by Order ECO/1064/2003, Intermoney Titulización, Sociedad Gestora de Fondos de Titulización, S.A., set up the "IM BANCO POPULAR FTPYME 1, FTA ASSET SECURITIZATION FUND", to which Banco Popular assigned its collection rights against Spanish non-finance companies, of which at least 95% were SMEs as defined by the European Commission (Recommendation of May 6, 2003), for an amount of €2,000 million.

Under the provisions of the abovementioned Ministerial Orders and the cooperation framework agreement between the Ministry of Economy and Banco Popular Español to determine the receivables that can be assigned to the asset securitization fund set up to favor business financing, dated November 3, 2004, Banco Popular Español has undertaken to reinvest the liquidity obtained as a result of the securitization process for financing non-finance companies domiciled in Spain, and to allocate at least 80% of the amount to SMEs as defined by the European Commission.

PBP BIOGEN, FI FUND

PBP Biogen, F.I., is a principal fund that invests in pharmaceutical industry securities (approximately 50%), healthcare (25%) and biotechnology (25%). This is a solidarity fund and assigns part of its fees to Centro de Investigación Médica Aplicada (CIMA) for its research projects. CIMA cooperates with Popular Gestión Privada in picking the securities, especially in the biotechnology field. This fund was honored as the best equity fund in the health and pharmaceutical sector.

AFFINITY CARDS

Under its commitment to social welfare, and under the heading of Visa Affinity Cards, several cards are marketed, a portion of the earnings from which are assigned to the institutional organization named on the cards. The main characteristics are:

- Assignment to the card-issuing entity of up to 30% of the annual charges collected.
- Assignment to the card-issuing entity of around 0.50% of the total transactions made by the card users.

At the date of publication of this Report, there are 6 different Affinity Cards in operation, held by 23,090 cardholders, which have given rise to transactions of over €27 million.

4. SUSTAINABILITY

The Group endeavors to maintain a posture of utmost respect for the environment acting coherently with the environment within which it operates and without compromising future resources. Since the Banco Popular Group is an eminently regional organization, this question is addressed, both from the standpoint of sustainability inside the organization and from that of the impact on the environment, from a functional viewpoint in a very limited scope of application. However, the Group is strongly committed to supporting the values and policies relating to environmental sustainability.

4.1. SUSTAINABILITY INSIDE THE ORGANIZATION

The Group's lines of action are marked by the conviction that the strategic criteria of management should be integrated with those of an environmental policy that makes development and nature compatible. In awareness of the Group's leadership in many aspects of its activity, the sustainability of the resources assigned to its facilities is one of the fundamental concerns in its performance as a service to society.

The principles enabling this business conduct commitment to be fulfilled are as follows:

- Conformity with current legislation and regulations in all the areas in which the Group is established.
- Application of environmental criteria in the design, planning and maintenance of projects and installations, and in the dismantling and modification of facilities.
- Selection and continuing assessment of suppliers and contractors, requesting their integration, depending on the respective activities, in the established environmental criteria.
- Use of recyclable and easily-destroyable materials, demanding that official landfills with separation of materials be used with the related certificates.
- Soundproofing of air conditioning by means of leading edge equipment, and soundproofing of offices by insulating walls and ceilings.
- Insulation of premises to avoid cold or heat losses through partitions, ceilings or façades.
- Recycling of refuse.
- Elimination and destruction of pollutant products and their replacement by products meeting EU regulations.
- Increasing energy efficiency and savings by installing time clocks for air conditioning, signboards and illuminated signs.
- Reduction of energy consumption by using heat pumps or heat recovery equipment at some locations.
- Control of the microbiological and physical and chemical quality of water to prevent contamination by Legionella Pneumophila bacteria.

As regards office supplies and consumables, the customer reporting needs and obligations involve the printing and distribution of vast quantities of documents and the consumption of many tonnes of paper with the consequent negative effect on maintenance of the global forestry mass. To mitigate this negative impact, the Group started many years ago to take measures to rationalize the consumption of paper and to recycle office supplies and consumables. The outcome of these measures in 2004 was as follows:

- **Integrated mail.**- All the relevant customer transaction information covering a reasonable period of time is integrated and mailed to customers in a single envelope using a centralized printing system. More than 85 million envelopes were saved in this way in 2004.
- **Internal mail.**- The widespread use of e-mail for internal communications and the adoption of multi-use envelopes for sending documentation internally have led to a radical decrease in the consumption of paper. Savings of over 90% have been achieved by using multi-use envelopes as compared with using ordinary envelopes.
- **Destruction of files and sensitive documentation.**- The Group has a General Archive which holds documents for the legally stipulated period and which obviously has to be updated each year. Similarly, documentation received or printed by branch offices as required for their activities, which may contain confidential customer data, is sent to the General Archive in special bags for destruction when no longer needed. In 2004, the General Archive shredded more than 1,000 tonnes of documents that were sent to paper companies for recycling.

- **Forms.**- The rationalization of the use of forms makes it possible to reduce the paper consumed in producing them and to standardize form production by using blank (un-preprinted) sheets of paper. As a result of this rationalization, the 1,300 types of form existing in 1996 have currently been reduced to 500.

- **Office computer and duplicating equipment.**- All office computer equipment, photocopiers, fax machines, etc., that are replaced at branches are sent to specialist companies for recycling. For example, the Group uses around 16,000 toner cartridges each year which when empty are sent to the Group Logistics Center for recycling or destruction by an officially authorized firm.

4.2. SUSTAINABILITY IN RELATION TO SOCIETY

The financing projects of particular social benefit include most notably those with a positive impact on the environment, which the Group endeavors to encourage. These initiatives are particularly relevant in the wind power, biomass and waste treatment sectors.

FINANCING FOR PROJECTS WITH BENEFICIAL ENVIRONMENTAL IMPACT

Use of wind power as a renewable source for electricity generation.

22. Wind power projects financed by the Group.

€000

Location	Description	Year	Project Cost	BPE Funding
La Rioja	Wind farm	2001	46,077	4,207
Zamora	2 wind farms	2001	28,294	4,207
Galicia	Wind farm	2001	19,710	3,305
Asturias	3 wind farms	2002	68,337	6,000
La Rioja	Wind farm expansion	2002	44,780	4,207
Zamora	Wind farm	2003	12,928	4,669
Galicia	Wind farm	2003	41,604	10,000
Galicia	4 wind farms and 2 mini power plants	2003	175,625	9,000
Ciudad Real	2 wind farms	2004	83,531	13,400
Soria	5 wind farms	2004	168,231	10,000
Lugo	12 wind farms	2004	246,567	19,431
Albacete	3 wind farms	2004	132,051	9,000
Albacete	Wind farm	2004	69,762	9,500
17 projects	71 wind farms		1,137,497	106,926

Wind power will play a key role in energy in Spain in the future, since it is the only completely clean source of energy, the generation of which has no negative impact on the environment and uses an autochthonous source, namely the wind, of which there is no shortage in Spain. The wind power industry is therefore that which most efficiently can alleviate the adverse effects of climate change, at the same time contributing to Spain's industrial and economic development to assure its convergence with Europe.

By contrast with other electricity production technologies, wind power will reduce Spain's high energy dependence by obviating the need for imports of fuel and may signify substantial savings in the purchase of CO2 emission allowances so as to comply with undertakings under the EU Directive on emissions trading arising from the Kyoto Protocol.

In 2004, the Group participated in the funding of 23 wind farms, with an investment of over €1,137 million for which the Group contributed financing of over €106 million.

23. Waste-to-energy projects financed by the Group.

€000

Location	Description	Year	Project Cost	BPE Funding
Bilbao	MSW waste-to-energy plant	2001	195,454	8,000

This project is for the construction of a municipal solid waste (MSW) to energy plant, which will process a fraction of the waste generated in Vizcaya that cannot be recycled.

24. Biomass projects financed by the Group

€000

Location	Description	Year	Project Cost	BPE Funding
Murcia	Pig slurry treatment plant (1)	2001	12,821	3,606
Galicia	Bioethanol production plant (2)	2001	84,394	6,011
Málaga	"Orujillo" treatment plant (3)	2002	24,357	4,000
Sevilla	"Orujillo" treatment plant (3)	2003	7,406	2,962
Salamanca	Bioethanol production plant (2)	2004	177,109	6,000
5 projects	5 plants		306,087	22,579

(1) Pig slurry treatment plant

This project consists basically of a process to evaporate and dry pig slurry by using as a source of heat the tail gases of a 15 MW combined heat and power plant.

(2) Bioethanol production plant (additive for unleaded gasoline)

These plants will produce ethanol for industrial use, specifically as an additive to unleaded gasoline, with wheat as the raw material.

(3) "Orujillo" treatment plants

Olive pomace oil production gives rise to waste in the form of the dry remains of the olive flesh, skin and pits, which are an organic material of high calorific value known as "orujillo" that can be used as a fuel.

5. CONTROL SYSTEMS & AUDIT

The Internal Audit area and the Regulatory Compliance Office are responsible for guaranteeing that the Group complies with the general standards and principles, both internal and external, applicable to matters of special sensitivity.

INTERNAL AUDIT

The functions of Internal Audit are:

- Review of the accounts, operating processes and regulatory compliance inside the Group.
- Performance of audits, verifying the accounting system and the operating processes used, evaluating compliance with current general regulations.
- Coordination of computer and remote control actions to prevent money laundering.
- Analysis of the quality and performance of risks and their instrumentation.
- Involvement in the study of any special anomalous situations detected, either in the branch network or in other types of office.
- Detection and prevention of possible cases of corruption. In coordination with the office responsible in this connection, Internal Audit analyzes transactions to confirm the absence of money laundering.

Internal Audit also reviews other issues of relevance for the purposes of this Report, both internally (employees and facilities) and externally (mainly customers, suppliers and regulatory compliance).

25. Internal audits performed in the Group

	2004	2003
Audits of central services and banking subsidiaries	23	4
Audits of Group companies	40	7
In situ audits of branch offices	921	826
Remote audits of branch offices	214	227
Total	1,198	1,064

Relevant social and environmental criteria checked in internal audits

-Central services

The internal audits of central services have regard to the status of employee safety measures, checking that the prevention of risks at work systems are functioning and reviewed.

As regards the prevention of money laundering, internal audits check compliance with the instructions issued in this respect.

-Specialized companies

At the Group companies Internal Audit reviews the situation of staff for adequacy as regards the prevention of risks at work, and their personal and professional situation.

As regards customers and suppliers, Internal Audit checks that the treatment of them is optimum.

Finally, Internal Audit reviews compliance with internal and legal regulations, particularly on the prevention of money laundering.

-Branches

At branch offices, internal audit checks that the employee and customer safety systems are operating correctly, both as regards the prevention of risks at work and with respect to physical safety in the event of bank robbery.

Control and monitoring criteria for internal audits

- Senior Line and Regional Management Offices, banking subsidiaries: Each Central Service Office receives a copy of the relevant section of the report to the Territorial Manager and the replies of the Territorial Management on each of the matters of its responsibility. A copy of the complete report is sent to the Operating Control Office, which finally files the report.
- Central Services Offices: The Audit Office of Central Services controls and monitors the report, notifying the Operating Control Office of new items. In the case of computerized analyses and developments, even though the Operating Control Office may have filed the report, this Audit Office keeps the relevant points current until they are implemented.
- The Companies Audit Office monitors the matters disclosed in internal audits, and considers them cleared when the company audited confirms that the most relevant items have been corrected. This monitoring does not include matters relating to human resources, which are notified to Group HR because of their special characteristics, and are not subsequently monitored.
- The control and monitoring of internal audits are done by the Regional Controllers (Banco Popular) and Control Departments (banking subsidiaries), which check correction of the matters disclosed and notify completion of the audits to the Operating Control Office (General Controller). However, notwithstanding the foregoing, and depending on the result of the review, Branch Office Audit decides on the possibility of conducting total or partial fresh (remote or in situ) reviews, or scheduling another audit after a certain period of time.

REGULATORY COMPLIANCE

The Regulatory Compliance Office was set up in March 2002, basically as a supervision and control unit; it is independent from the business activities and reports functionally to the Board of Directors, specifically to the Audit and Control Committee.

This Office keeps a close watch on compliance by the organization with current legislation, and for this purpose identifies, evaluates and prevents possible significant risks of non-compliance from the economic or reputation standpoints, which might arise in connection with laws and regulations, codes of conduct and good practice standards, especially as regards business activities, prevention of money laundering and financing of terrorism, conduct in the securities markets, and data privacy and protection. It also analyzes and promotes the development of the systems in place for staff training with respect to these areas.

The main aspects of the activities in the various areas in 2004 are summarized below.

1. Prevention of money laundering

The Money Laundering Prevention Office deals with the prevention and investigation of transactions suspected of money laundering arising from unlawful activities, pursuant to Spanish regulations. It cooperates with the competent authorities in this area and analyzes and, if appropriate, notifies any transactions whose characteristics might potentially indicate a relationship with such activities.

It also notifies monthly all transactions which current legislation requires to be disclosed, based on their amount, origin, destination or other characteristics.

In addition, as the outcome of control actions inside the Group, it was decided to terminate relations with customers suspected of possible unlawful activities, in accordance with the customary criteria of prudence and professionalism in the banking business.

2. Measures and monitoring of the Internal Regulations of Conduct for Banco Popular Group entities in the securities markets

In collaboration with the oversight body, the Regulatory Compliance Office verified the transactions subject to the Internal Regulations of Conduct, established measures of separation between the areas affected by these regulations, and applied new measures included in the new Internal Regulations of Conduct approved by the Group in order to add further measures on securities loans and transactions with related parties, so as to achieve complete compliance with the new rules approved during 2004.

3. Protection of Personal Data

Several internal inspections were conducted during 2004 to upgrade the protection of personal data. A study was also conducted, with the assistance of external consultants, which will permit the implementation shortly of new control mechanisms and processing systems and procedures for such data, in order to strengthen those already in place at the Group.

4. Customer transparency and protection

During 2004, the Office identified and assessed the risks of non-compliance associated with the Bank's business activities, particularly as regards the development of new products and business practices, in order to insure respect for the regulations on transparency and protection of customers.

6. CONFORMITY WITH GRI INDICATORS

GENERAL GRI INDICATORS

RSC INDICATOR	Page number
1 VISION AND STRATEGY	
1.1 Statement of the organization's vision and strategy regarding its contribution to sustainable development.	67-68, 71-74
1.2 Statement from the CEO (or equivalent) about the CSR Report	67-68
2 PROFILE	
<u>Organizational profile</u>	
2.1 Name of reporting organization	71
2.2 Major products and/or services, including brands	71
2.3 Operational structure	Annual Report
2.4 Description of major departments, operating companies, subsidiaries, and investees.	71-73
2.5 Countries in which the organization's operations are located.	71
2.6 Nature of ownership; legal form.	71
2.7 Nature of markets served.	71-73
2.8 Scale of the reporting organization.	Annual Report
2.9 List of principal stakeholders and their relationship to the reporting organization.	68, 81, 83-105
<u>Report Scope</u>	
2.10 Contact person(s) for the report	73
2.11 Reporting period.	65
2.12 Date of most recent previous report (if any).	Note 1
2.13 Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope.	67-68
2.14 Significant changes in size, structure, ownership, or products/services.	Annual R., Corp. Govern. R.
2.15 Situations that can significantly affect comparability from period to period.	N/A
2.16 Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	74
<u>Report Profile</u>	
2.17 Decisions not to apply GRI principles or protocols in the preparation of the report.	N/A
2.18 Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	Annual Report
2.19 Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information.	Annual Report
2.20 Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	N/AV
2.21 Policy and current practice with regard to providing independent assurance for the full report.	N/AV
2.22 Means by which report users can obtain additional information.	73-74, 81, 87, Annual R. and Corp. Governance R.
3 GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS	
<u>Structure and Governance</u>	
3.1 Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization.	Corp. Governance Report

3.2	Percentage of the board of directors that are independent, non-executive directors.	Corp. Governance Report
3.3	Process for determining the expertise board members need to guide the strategic direction of the organization, including issues related to environmental and social risks and opportunities. .	Corp. Governance Report
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities.	Corp. Governance Report
3.5	Linkage between executive compensation and achievement of the organization's financial and non-financial goals.	Annual Report
3.6	Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	106-108, Corp.Govern.R.
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	71
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors. <u>Stakeholder engagement</u>	81-82
3.9	Basis for identification and selection of major stakeholders.	68
3.10	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	81-82, 84, 92-93, 98-99
3.11	Type of information generated by stakeholder consultations.	81-82, 84, 92-93
3.12	Use of information resulting from stakeholder engagements.	73, 82-84, 91, 93
	<u>Overarching Policies and Management Systems</u>	
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	106-108
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses. . .	73-74
3.15	Principal memberships in industry and business associations, and/or national/international advocacy organizations.	N/AV
3.16	Policies and/or systems for managing upstream and downstream impacts	98-99
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities	75-78, 99-105
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	N/A
3.19	Programs and procedures pertaining to economic, environmental, and social performance.	83-89, 99-105
3.20	Status of certification pertaining to economic, environmental, and social management systems.	Annual Report

Economic Performance Indicators

Direct Economic Impacts

	<u>Customers</u>	
EC1.	Net sales	Annual Report
EC2.	Geographic breakdown of markets	71
	<u>Suppliers</u>	
EC3.	Cost of all goods, materials, and services purchased.	98-99
EC4.	Percentage of contracts that were paid in accordance with agreed terms.	N/AV
EC11.	Supplier breakdown by organization and country.	N/AV
	<u>Employees</u>	
EC5.	Total wage costs.	75-76
	<u>Providers of capital</u>	
EC6.	Distributions to providers of capital.	Annual Report

EC7.	Increase/decrease in retained earnings at end of period.	Annual Report
	<u>Public Sector</u>	
EC8.	Total sum of taxes of all types paid broken down by country.	76, Annual Report
EC9.	Subsidies received broken down by country or region.	N/AV
EC10.	Cash and in-kind donations broken down by types of groups.	99-100
EC12.	Total spend on non-core business infrastructure development.	99-105

INDIRECT ECONOMIC IMPACTS

EC13.	The organization's indirect economic impacts.	75-78
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ENVIRONMENTAL PERFORMANCE INDICATORS

	<u>Raw materials</u>	
EN1.	Total materials used other than water, by type.	103-104
EN2.	Percentage of materials used that are wastes (processed or unprocessed)	104
	<u>Energy</u>	
EN3.	Direct energy use segmented by primary source	103-104
EN4.	Indirect energy use	N/AV
EN17.	Initiatives to use renewable energy sources and to increase energy efficiency.	N/A
EN18.	Energy consumption footprint	N/AV
EN19.	Other indirect energy use.	N/A
	<u>Water</u> - EN5, EN20, EN 21, EN 22	Note 2
	<u>Biodiversity</u> - EN6, EN7, EN23, EN24, EN25, EN26, EN 27, EN28	Note 2
	<u>Emissions, effluents & waste</u> - EN8, EN9, EN10, EN11, EN12, EN13, EN30, EN 31, EN32	Note 2
	<u>Suppliers</u>	
EN33.	Performance of suppliers relative to environmental components of programs and procedures set up in response to Section 3.1.6 Governance Structure and Management Systems.	98-99
	<u>Products and Services</u> - EN14, EN 15	Note 2
	<u>Compliance</u>	
EN16.	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties and local, regional and national regulations associated with environmental issues.	N/A
	<u>Transport</u>	
EN34.	Significant environmental impacts of transportation used for logistical purposes.	Note 2
	<u>Overall</u>	
EN35.	Total environmental expenditures by type.	Annual Report

SOCIAL PERFORMANCE INDICATORS

LABOR PRACTICES AND DECENT WORK

	<u>Employment</u>	
LA1.	Breakdown of workforce	89
LA2.	Net employment creation and average turnover	75-78, 90
LA12.	Employee benefits beyond those legally mandated	91-92

	<u>Labor/Management relations</u>	
LA3.	Percentage of employees represented by trade unions or other employee representatives	93
LA4.	Policy and procedures on information, consultation and negotiation with employees	93-95
LA13.	Formal work representation in decision-making or management, including corporate governance	93-95
	<u>Health and Safety</u>	
LA5.	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice of recording and notification thereof.	97
LA6.	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	94
LA7.	Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontracted workers).	98
LA8.	Description of policies or programs on HIV/AIDS.	N/A
LA14.	Compliance with the ILO Guidelines for Occupational Health Management Systems.	97-98
LA15.	Description of formal agreements with labor unions or other employee representatives covering health and safety at work and proportion of the workforce covered thereby.	94, 97-98
	<u>Training and Education</u>	
LA9.	Average hours of training per year per employee	96
LA16.	Description of programs to support the continued employability of employees and to manage career endings.	77, 89-90
LA17.	Specific policies and programs for skills management and for lifelong learning.	95-96
	<u>Diversity and Opportunity</u>	
LA10.	Description of equal opportunity policies and monitoring systems to insure compliance and results of monitoring.	89-91
LA11.	Composition of senior management and corporate governance bodies (including the Board of Directors) including female/male ratio.	Annual R., Corp. Govern. R.

SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS

	<u>Strategy and management</u>	
HR1.	Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring systems.	84-89, 99-102, 106-108
HR2.	Evidence of consideration of human rights impacts on decision making.	87-89, 99-102
HR8.	Employee training on human rights.	N/A
HR3.	Description of policies and procedures to evaluate human rights performance within the supply chain.	N/A
	<u>Non-discrimination</u>	
HR4.	Global policy and procedures/programs preventing all forms of discrimination in operations.	73-74, 89-91, 106-108
	<u>Freedom of association and Collective Bargaining</u>	
HR5.	Description of freedom of association policy and its application.	93-94
	<u>Child labor</u>	
HR6.	Description of policy excluding child labor as defined by ILO Convention 138.	74

	<u>Forced and Compulsory Labor</u>	
HR7.	Description of policy to prevent forced and compulsory labor	74
	<u>Disciplinary practices</u>	
HR9.	Description of appeal practices, including, but not limited to, human rights issues.	106-108
HR10.	Description of non-retaliation policy and confidential employee grievance system.	93
	<u>Security practices</u>	
HR11.	Human rights training for security personnel..	N/A
	<u>Indigenous rights</u> - HR12, HR13, HR14	Note 2

SOCIAL PERFORMANCE INDICATORS: SOCIETY

	<u>Community</u>	
SO1.	Description of policies to manage impacts on communities in areas affected by the organization's activities.	103-105
SO4.	Awards received for social, ethical and environmental performance.	82
	<u>Corruption</u>	
SO2.	Description of the policy, management systems and compliance mechanisms for organizations and employees addressing bribery and corruption.	106-108
	<u>Political Contributions</u>	
SO3.	Description of policies on political contributions and lobbying.	100-101
SO5.	Amount of money paid to political parties and institutions.	100-101
	<u>Competition and pricing</u>	
SO6.	Court decisions regarding cases relating to anti-trust and monopoly regulations.	N/A
SO7.	Description of policies and systems to prevent anti-competitive behavior.	N/A

SOCIAL PERFORMANCE INDICATORS

PRODUCT RESPONSIBILITY

	<u>Customer health and safety</u>	
PR1.	Customer health and safety during use of products and services	106-107
PR4.	Number and type of instances of non-compliance with regulations on customer health and safety, including penalties and fines assessed for these breaches.	N/A
PR5.	Number of complaints upheld by regulatory or similar official bodies about the health and safety of products and services.	N/A
PR6.	Voluntary code compliance, product labels or awards with respect to social and/or environmental responsibility.	N/A
	<u>Products and services</u>	
PR2.	Description of policy and management systems and compliance mechanisms on product information and labeling.	N/A
PR7.	Number and type of instances of non-compliance with regulations concerning product information and labeling, and penalties or fines assessed for these breaches.	N/A
PR8.	Policies and management systems and compliance mechanisms related to customer satisfaction, including results of surveys of customer satisfaction.	20-23
	<u>Advertising</u>	
PR9.	Policies and management systems and compliance mechanisms for adherence to standards and voluntary codes related to advertising.	N/A

PR10. Number and types of breaches of advertising and marketing regulations. N/A

Respect of privacy

PR3. Policies and management systems and compliance mechanisms for consumer privacy. . . 84-87, 108
 PR11. Number of complaints regarding breaches of consumer privacy. N/AV

Note 1: The last corporate social responsibility report was for 2003.

Note 2: Indicators relating to biodiversity, emissions, waste and effluents, and products and services are not included due to the scant impact of banking activities thereon.

GRI INDICATORS OF THE FINANCIAL SERVICES SECTOR SUPPLEMENT

CSR MANAGEMENT

CSR 1 General policy of Corporate Social Responsibility 67-68, 73-74
 CSR 2 Organization of Corporate Social Responsibility 73
 CSR 3 CSR Audits 106-107
 CSR 4 Management of sensitive matters (corruption, contributions to political parties, money laundering, financing of terrorism, etc.) 107-108
 CSR 5 Non-compliance (legislation, regulations, standards, laws, etc.) N/AV
 CSR 6 Dialogue with stakeholders 81, 84, 93-94

INT INTERNAL SOCIAL PERFORMANCE

INT 1 CSR policy in the HR policy (equality, freedom of association, training, dismissals, occupational health, etc.) 89-98
 INT 2 Employee turnover and job creation 77-78, 89-90
 INT 3 Employee satisfaction 93
 INT 4 Remuneration of senior executives and Board of Directors. Corporate Governance Report Corp. Governance Report
 INT 5 Variable remuneration (bonus) linked to sustainability N/A
 INT 6 Wage ratio men/women N/AV
 INT 7 Employee profile (sex, disability, etc.) 89-90

SOC PERFORMANCE TO SOCIETY

SOC 1 Philanthropic contributions, charity and sponsorship (money contributed, time, in-kind, and management costs) 99-100
 SOC 2 Economic value added (EVA). 75-76

SUP SUPPLIERS

SUP 1 Monitoring of main suppliers (monitoring of their working and social conditions) 98-99
 SUP 2 Satisfaction of suppliers (prompt payment, prices, treatment, etc.) 98-99

RB RETAIL BANKING

RB1 Social aspects of the retail banking policy (products, social exclusion, etc.) 87-89, 102
 RB 2 Financing policy profile (sectors, SMEs, etc.) 72-73, 83-84
 RB 3 Social or sustainability criteria in the financing policy (products with social characteristics, etc.) 88, 100-102, 104-105

IB INVESTMENT BANKING

IB 1	Social and environmental aspects of the investment banking policy	102, 104-105
IB 2	Overall profile of investment banking customers	83
IB 3	Transactions of high socio-environmental content	102, 104-105

AM ASSET MANAGEMENT

AM 1	Social aspects of the asset management policy	82, 102
AM 2	Assets with sustainability features under management	82, 102
AM 3	Encouragement of socially responsible investment (SRI)	82, 102

INS INSURANCE

INS 1	Social aspects of insurance management policy	98-99
INS 2	Customer profile	98-99
INS 3	Customer claims	N/AV
INS 4	Insurance with sustainability features (depressed areas, the handicapped, etc.)	98-99

N/A Not applicable
 N/AV Not available