

**2000 - 2001: EXPANSION  
CONTINUES**

**Banco Popular**

April 2001



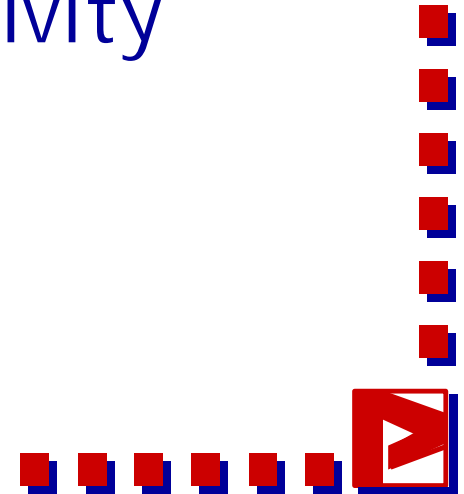
## MAIN POINTS

- ➔ Long term STRATEGY
- ➔ Short term MANAGEMENT CRITERIA
- ➔ Jump to MARKET OPPORTUNITIES
- ➔ Current STRATEGIC DEVELOPMENT
  - Foundations of commercial spree
  - Assets that drive value



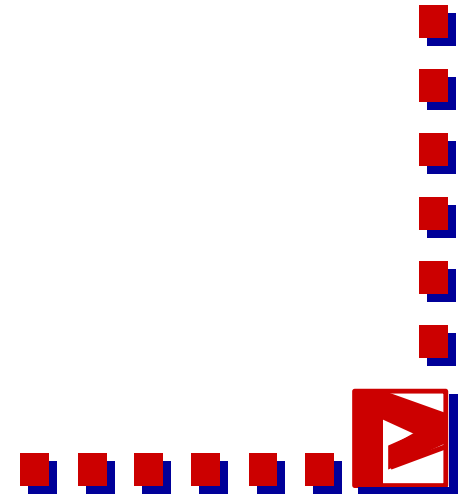
## Long term STRATEGY

- Growth of Market Share
- Total Revenues Boost
- Steady Improvement of Cost/Income Ratio
- Steady Improvement of Productivity
- Optimizing Equity



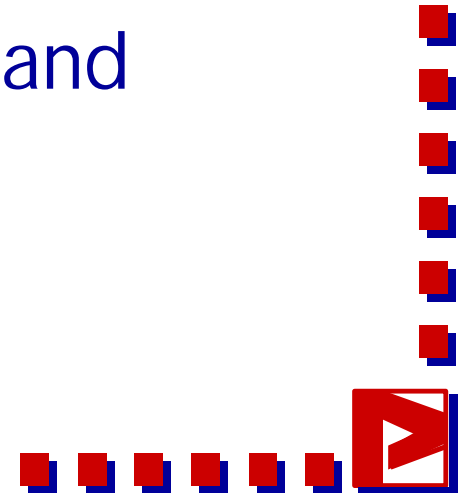
## Short term MANAGEMENT CRITERIA

- Expand Penetration on the Small and Middle Enterprises Market
- Focus on Private Individuals



## Jump to MARKET OPPORTUNITIES

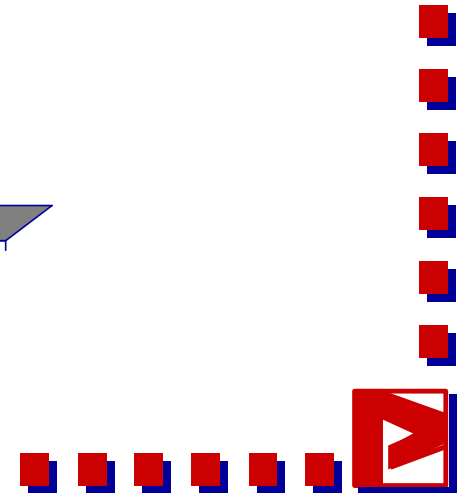
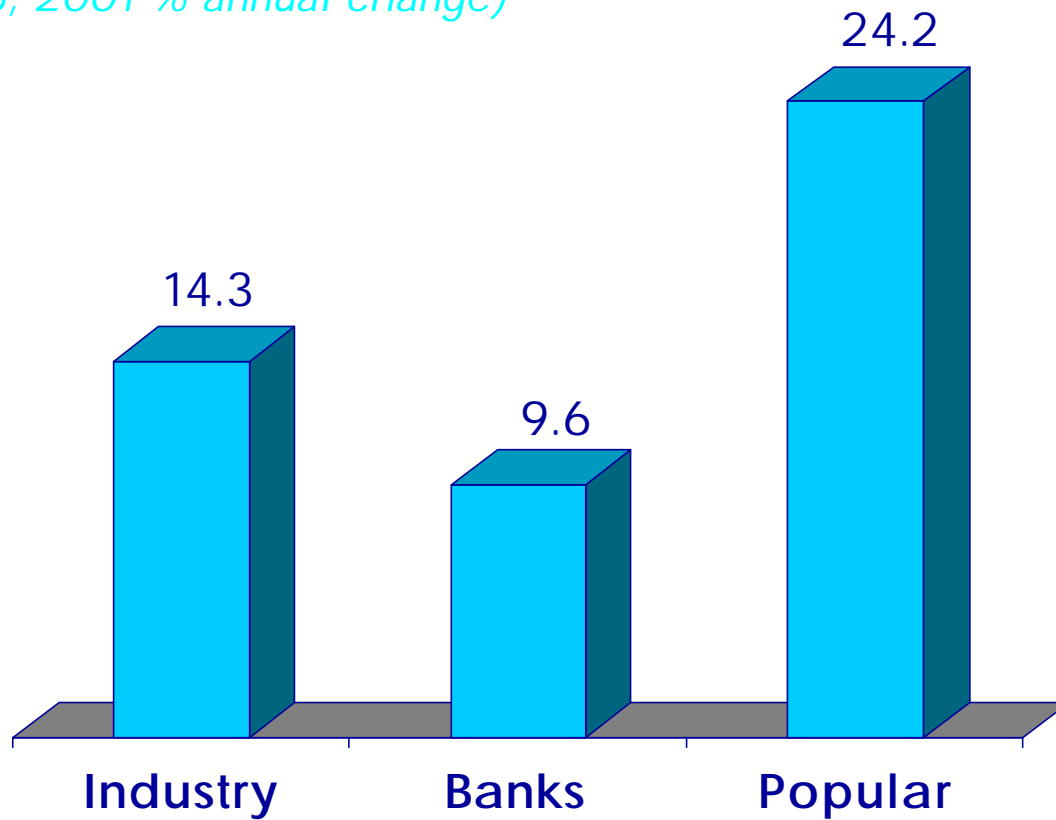
- Most Favourable Conditions for Banco Popular's Market Share Growth
- Bad Conditions for Mutual Funds
- Strong Customer Deposit Demand
- Still Strong Credit Demand



# Jump to MARKET OPPORTUNITIES

## LOANS OF PRIVATE-SECTOR RESIDENTS

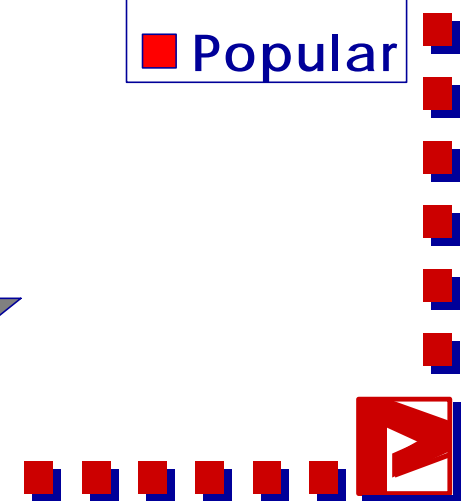
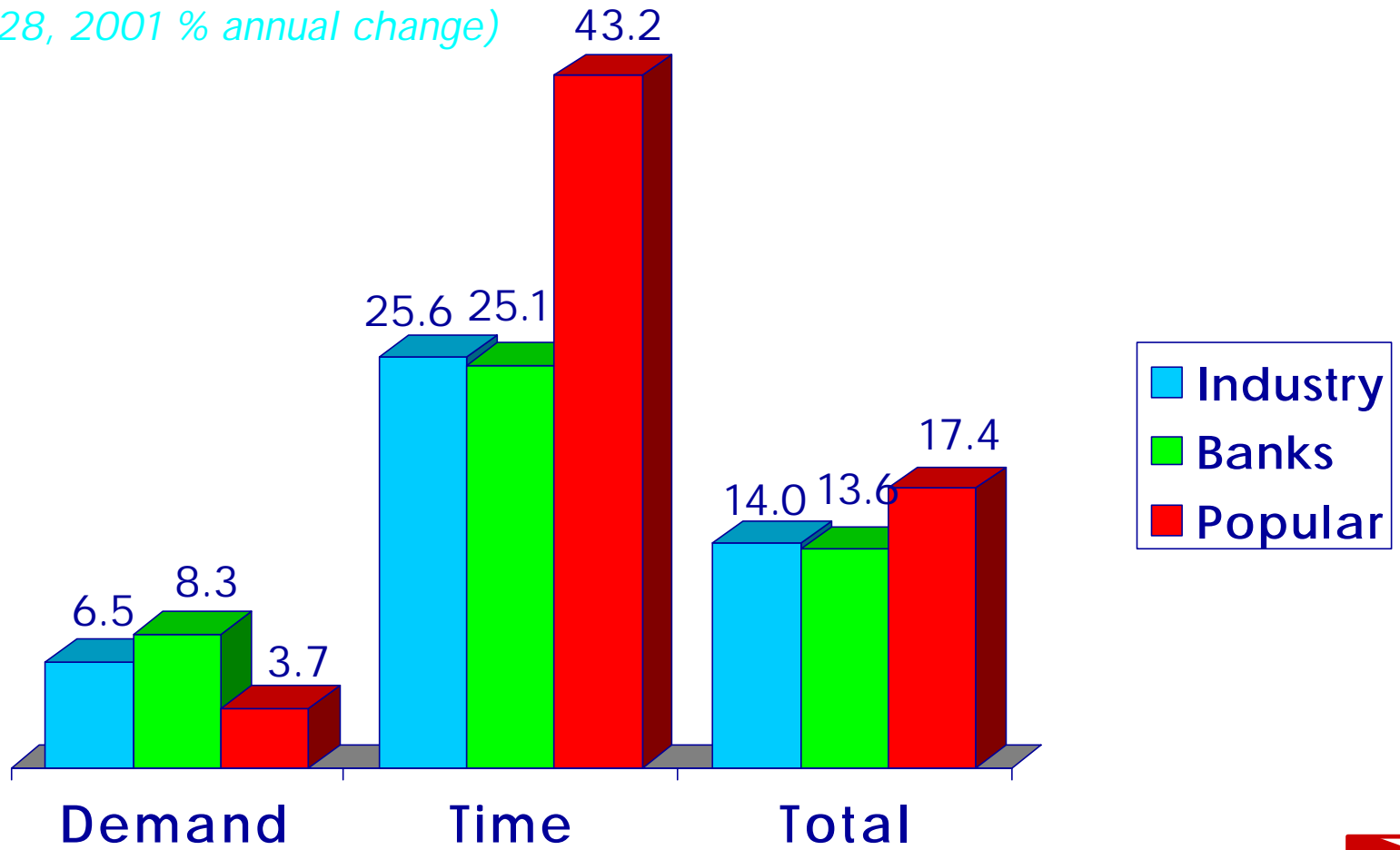
*(February 28, 2001 % annual change)*



# Jump to MARKET OPPORTUNITIES

## GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

*(February 28, 2001 % annual change)*



## Reaction to MARKET OPPORTUNITIES

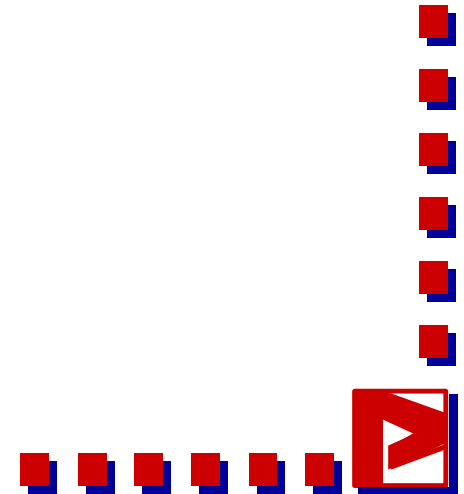
- The Bank Must Give Priority to Availing of Advantageous Conditions for Further Expansion
- We Can Better Absorb Now the Expenses of an Accelerated Expansion





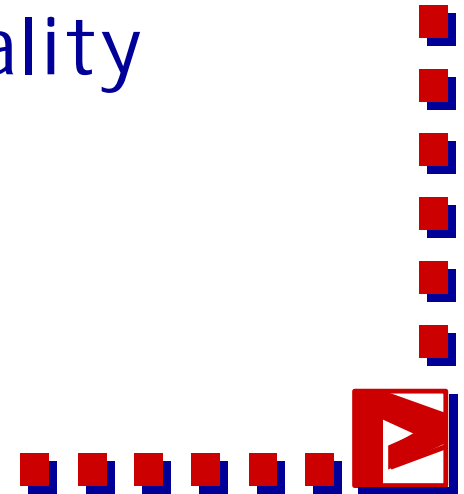
## SUMMARY CONCLUSION

**BETTER NOW THAN LATER**



## Short term GUIDELINES

- ➔ Speed up Market Share Growth
  - Maintain Profitability
  - Maintain High Asset Quality



## SPEED UP GROWTH

- Accelerate Network Expansion
- Step up Marketing Efforts
- Further Upgrade I T Tools for:
  - ↳ Marketing
  - ↳ Customer Service
  - ↳ Productivity Increase



## NETWORK EXPANSION

	<u>Feb.01</u>	<u>Feb.00</u>	<u>%</u>
Branches	2,100	2,012	4.4
ATMs	2,860	2,449	16.8
Cards	3,404,318	2,258,090	50.8
Customers	4,016,656	3,650,340	10.0

### Standalone e-bank

	<u>March 01</u>	<u>July 00</u> <i>(Inception)</i>
Products	89	52
Services	69	61
Total transactions	158	113



## MARKETING EFFORTS

**2000  
Actual**

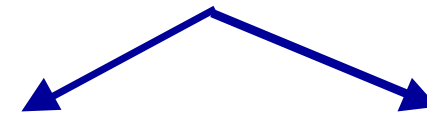
188 Systematic  
Client Campaigns



Pension Plans  
Club Senior (Pensioners)  
Consumer Loans  
Highyield Notes Payable  
Underaged & Young Savings Scheme  
Intensive dr. & cr. Cards Placement

**2001  
Targets**

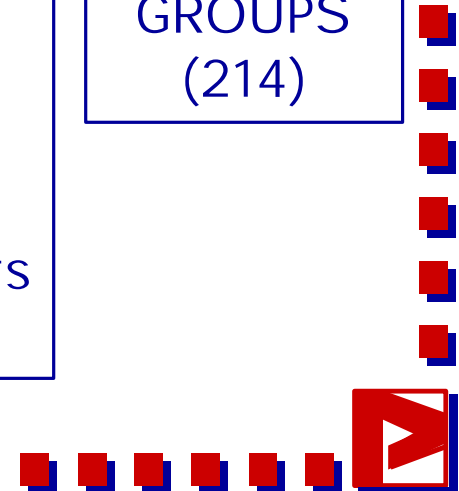
244 Campaigns  
and targeting



INDIVIDUALS  
(30)

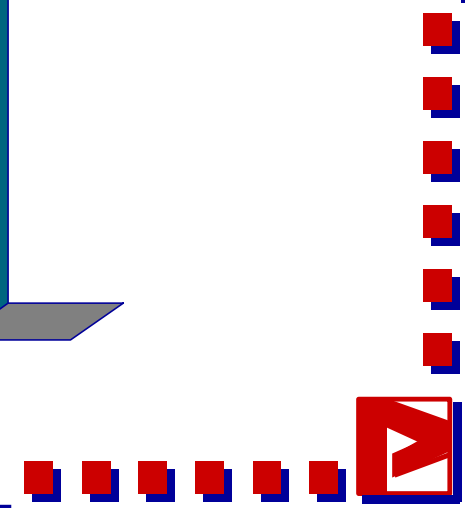
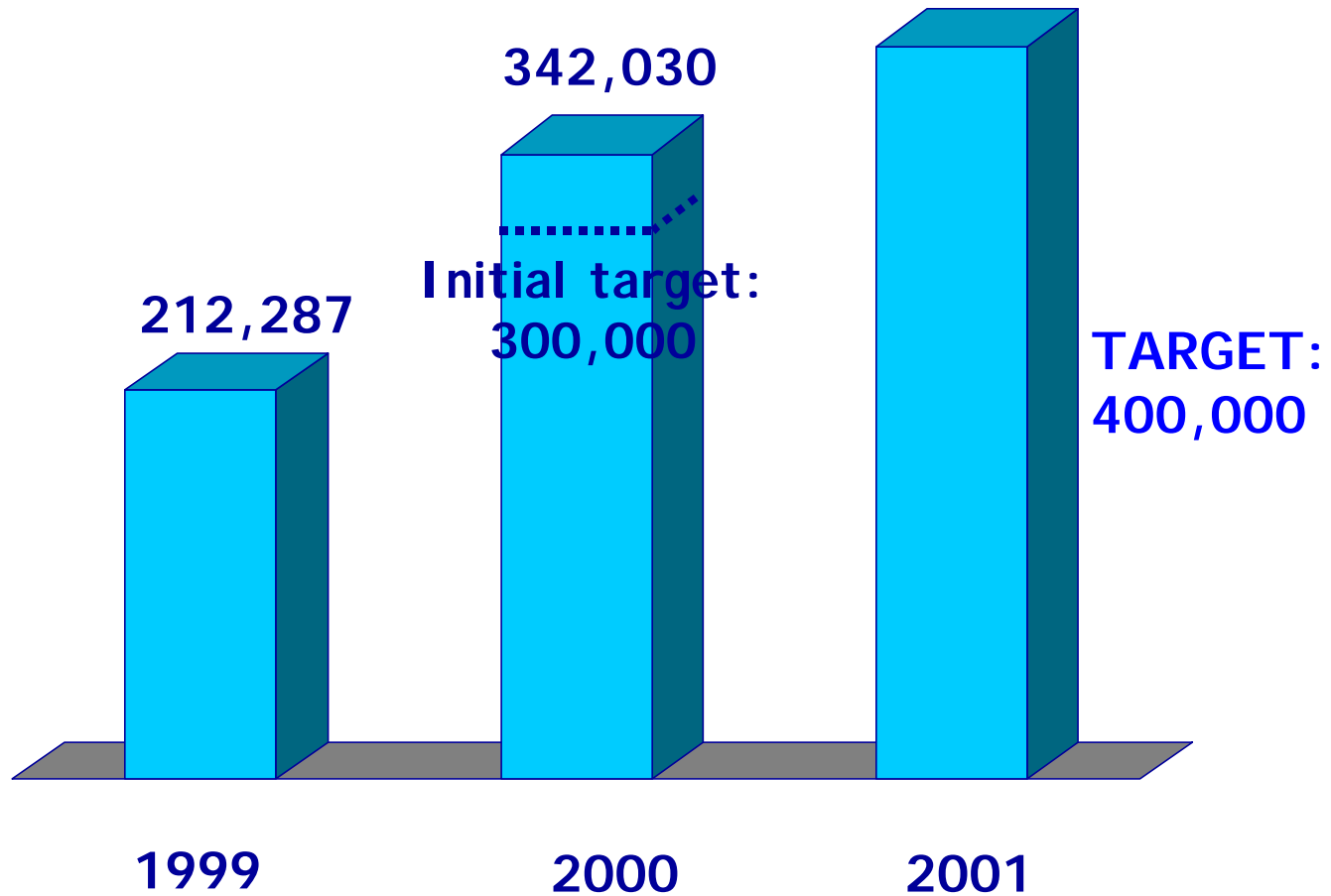
Mortgage  
Consumer  
Deposit Accounts  
Pension Plans...

AFFINITY  
GROUPS  
(214)



# MARKETING EFFORTS

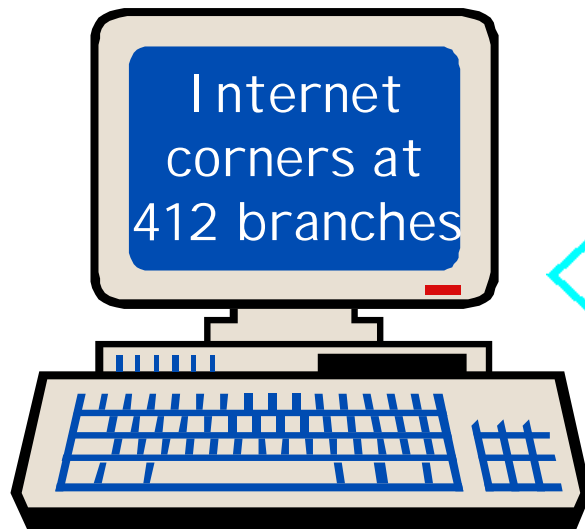
## NET NEW CLIENTS



## MARKETING EFFORTS

### Internet as multichannel

	<u>Feb.01</u>	<u>Feb.00</u>	<i>Target</i> <u>Dec.01</u>
Number of users	427,150	122,311	690,000
% of total transactions	5%		8-10%



30,000  
Direct Marketing  
Follow-through  
Calls



## UPGRADING OF IT TOOLS

- Client's profitability and financial background.
- Interactive loan granting with credit scoring and authorization management.
- Tailor-made offering of products and services (marketing one-to-one).
- Electronic management of sales campaigns with use of data-mining in client selection.





## FOUNDATIONS OF COMMERCIAL SPREE

	Market share	Growth rate	As % of Loan Portfolio
Bill discounting	10.1	24.7	16.5
Mortgage loans	3.3	26.1	37.3
Personal loans	4.1	25.8	32.3
Personal overdrafts		22.4	
Leasing	17.4	22.9	6.8
Factoring	6.7	33.2	1.1



## FOUNDATIONS OF COMMERCIAL SPREE

### ENHANCING CORE PRODUCTS SPREAD

	Dec 99/ Mar 00	Dec 99/ Jun 00	Dec 99/ Sep 00	Dec 99/ Dec 00	Dec 99/ Feb 01
Bill discounting	0.09	0.34	0.89	1.27	1.20
Mortgages	0.04	0.22	0.49	0.82	1.02
Consumer	0.20	0.43	0.69	1.02	1.09
Overdrafts	0.10	0.39	0.80	1.14	1.25
Leasing	0.02	0.13	0.40	0.80	0.93
<b>TOTAL</b>	<b>0.08</b>	<b>0.30</b>	<b>0.65</b>	<b>0.99</b>	<b>1.08</b>
Demand Deposits	0	0.07	0.15	0.32	0.32
Time Deposits	0.32	0.45	1.01	1.45	1.54
Commercial Paper	0.06	0.77	1.14	1.46	1.36
<b>TOTAL</b>	<b>0.16</b>	<b>0.29</b>	<b>0.62</b>	<b>0.97</b>	<b>1.06</b>



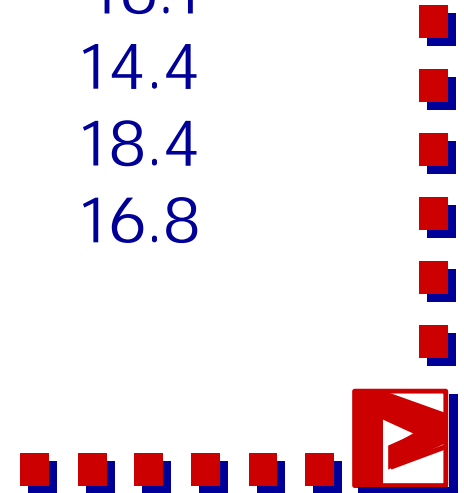
## FOUNDATIONS OF COMMERCIAL SPREE

### OTHER KEY PRODUCTS

	Market share	Growth rate
Pension funds*	8.0	18.5
Mutual funds	3.3	(17.8)
Debit cards	14.1 (**)	16.1
Credit cards	15.3 (**)	14.4
Private cards	n.a.	18.4
ATMs	6.3	16.8

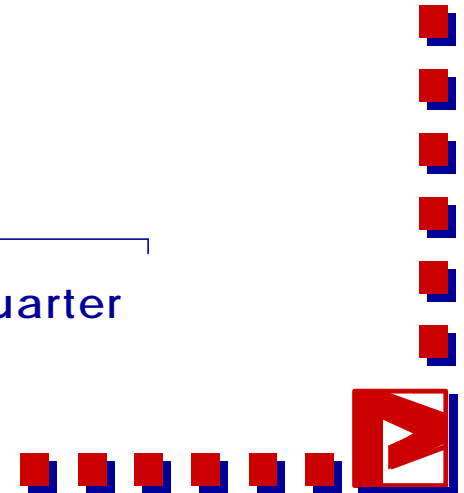
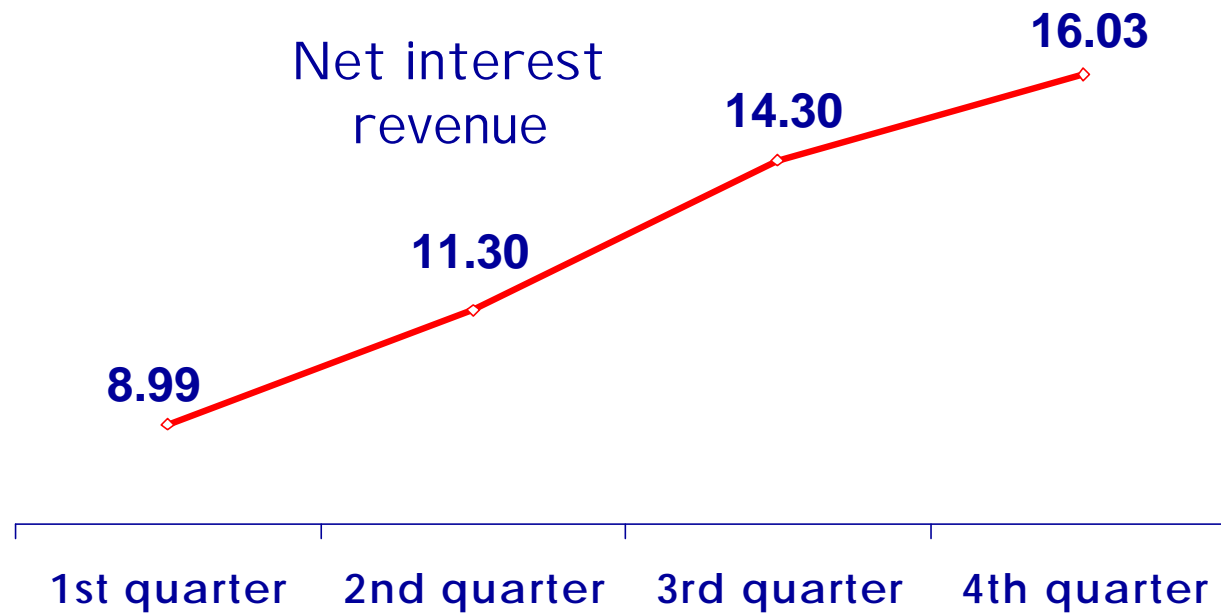
(\*) Assets in private/individual accounts

(\*\*) As % of 4B system



# FOUNDATIONS OF COMMERCIAL SPREE

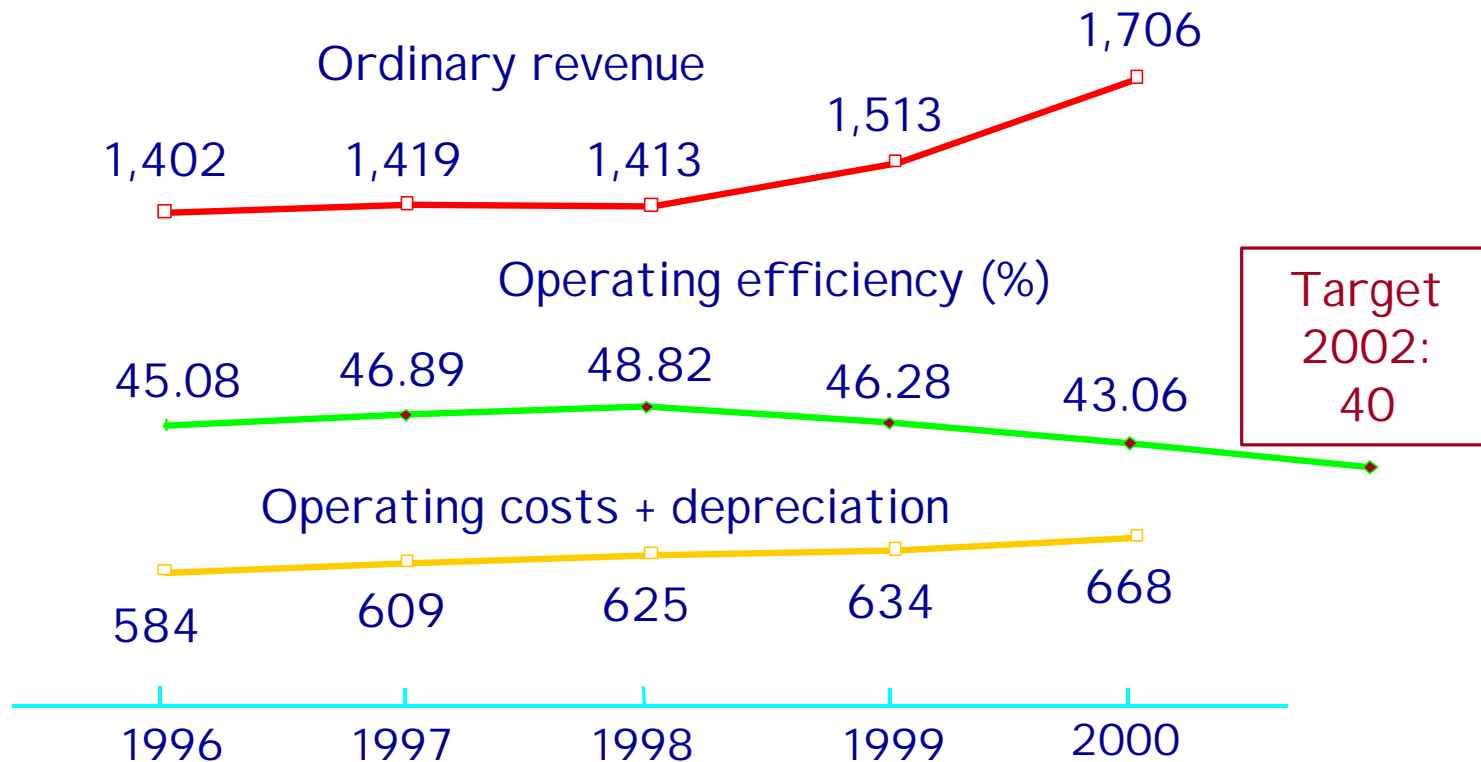
Year-on-year quarter standalone % change



# FOUNDATIONS OF COMMERCIAL SPREE

## COST/INCOME RATIO

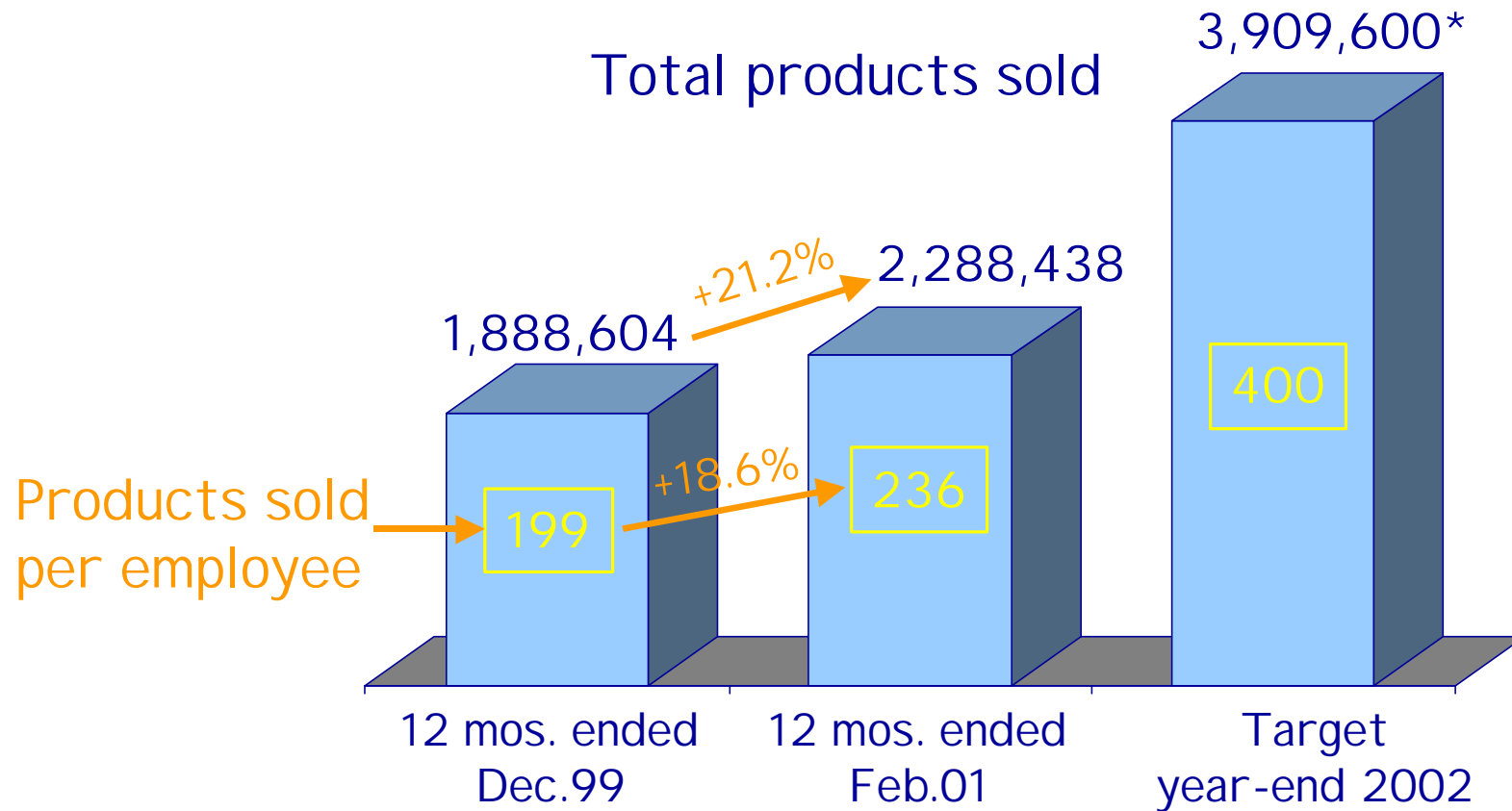
(Euro million)



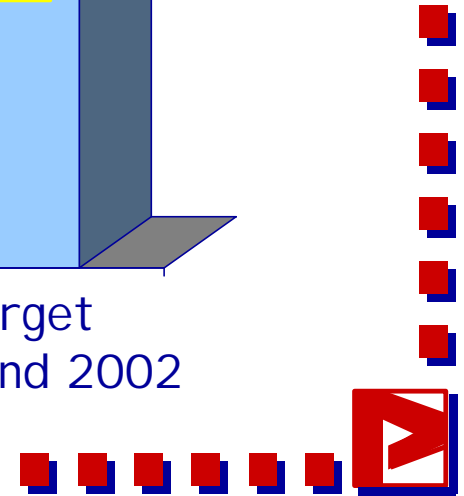
i.e., to improve cost/income 100 basis points/year

# FOUNDATIONS OF COMMERCIAL SPREE

DOUBLE EMPLOYEE PRODUCTIVITY OVER THREE YEARS  
(products sold per employee/year)



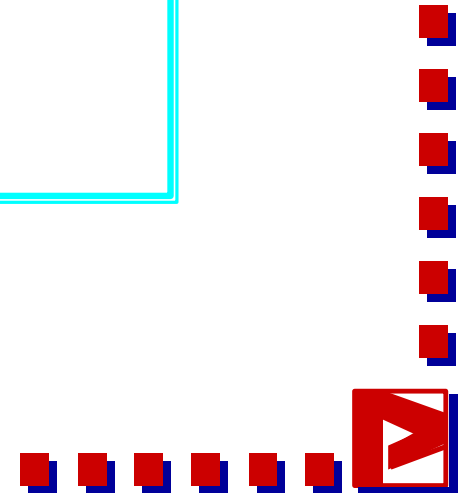
\* Without variation of the number of employees



## FOUNDATIONS OF COMMERCIAL SPREE

### EQUITY OPTIMIZATION

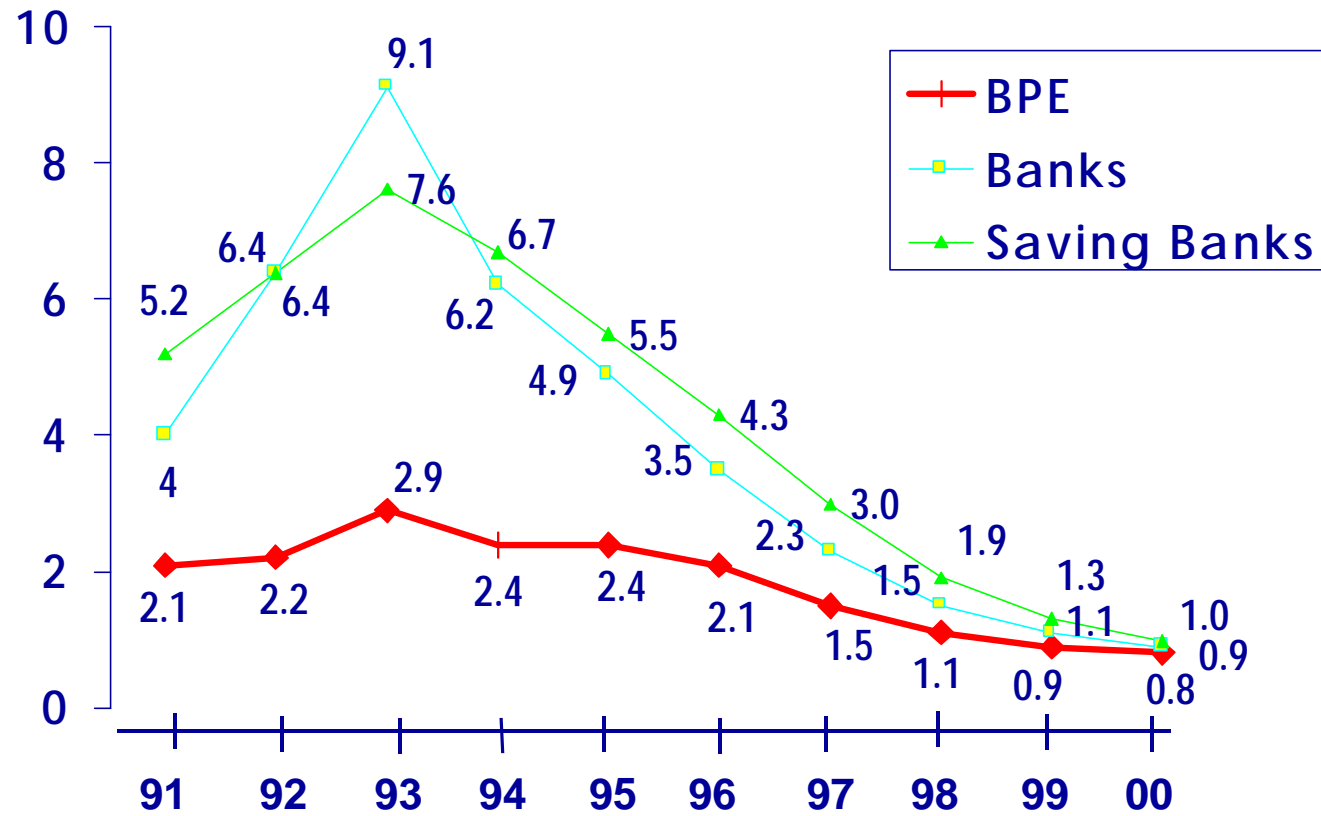
Additional equity needs  
required by growth attained  
through earnings retention plus  
hybrid capital: prefs and  
subordinated debt



# FOUNDATIONS OF COMMERCIAL SPREE

## LOAN PORTFOLIO QUALITY

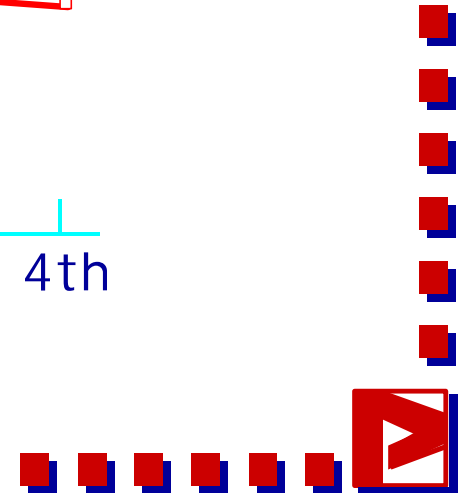
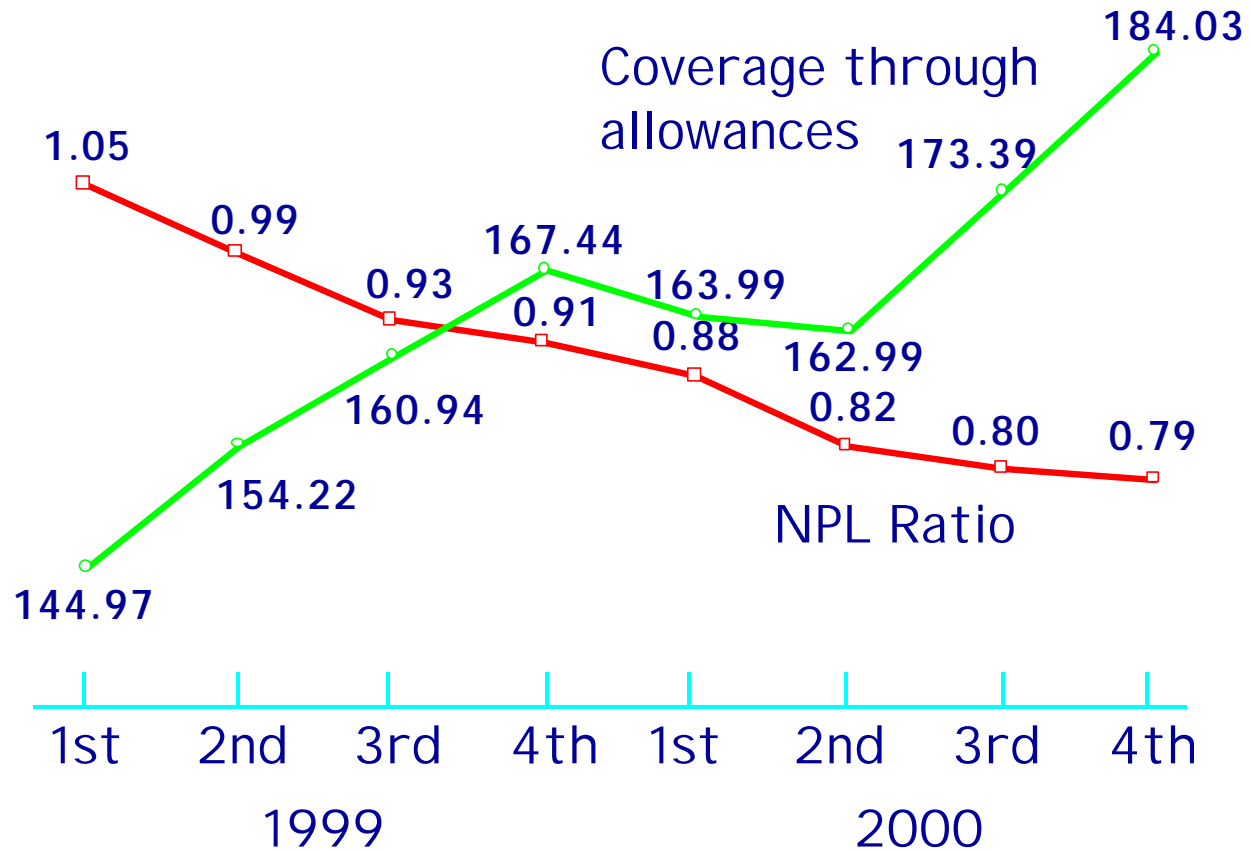
### Gross NPLs





# FOUNDATIONS OF COMMERCIAL SPREE

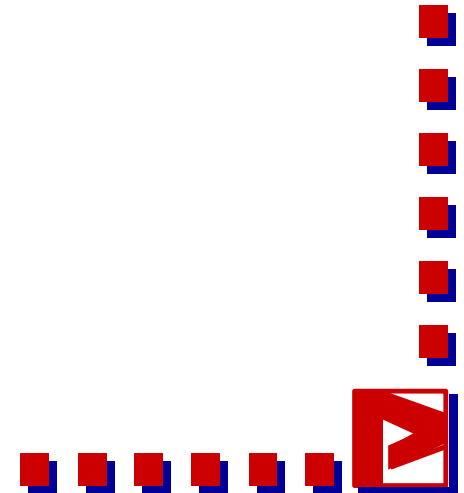
## RISK MANAGEMENT



## FOUNDATIONS OF COMMERCIAL SPREE

### ASSETS THAT DRIVE VALUE

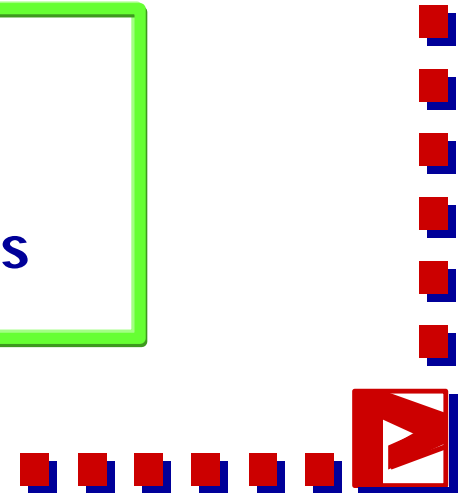
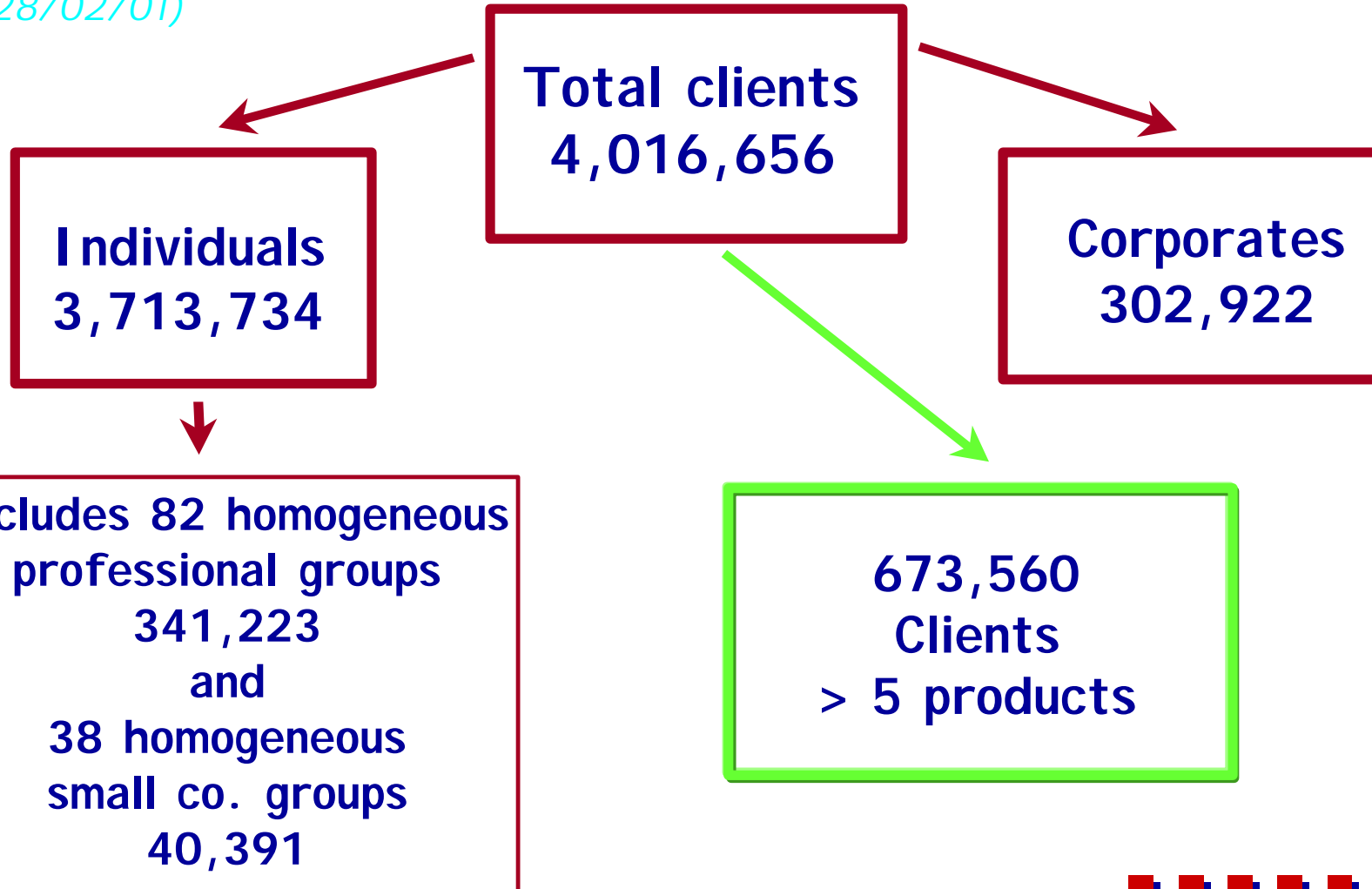
- Customers
- Employees
- Organization
- Financial
- Physical



## ASSETS THAT DRIVE VALUE

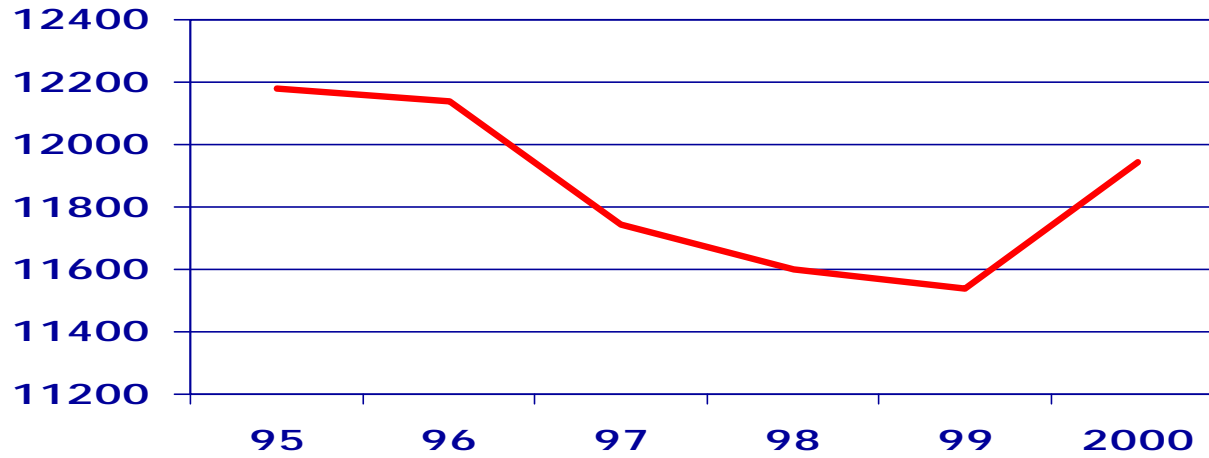
### CUSTOMERS

(28/02/01)

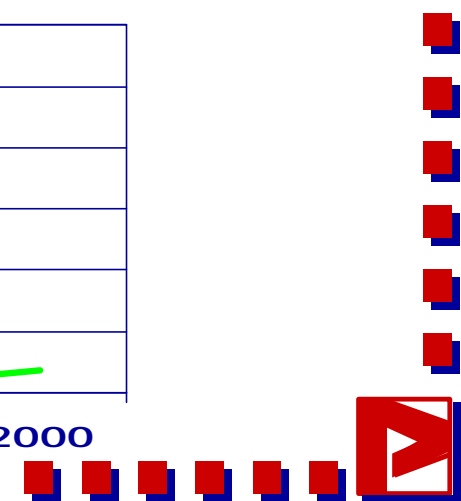
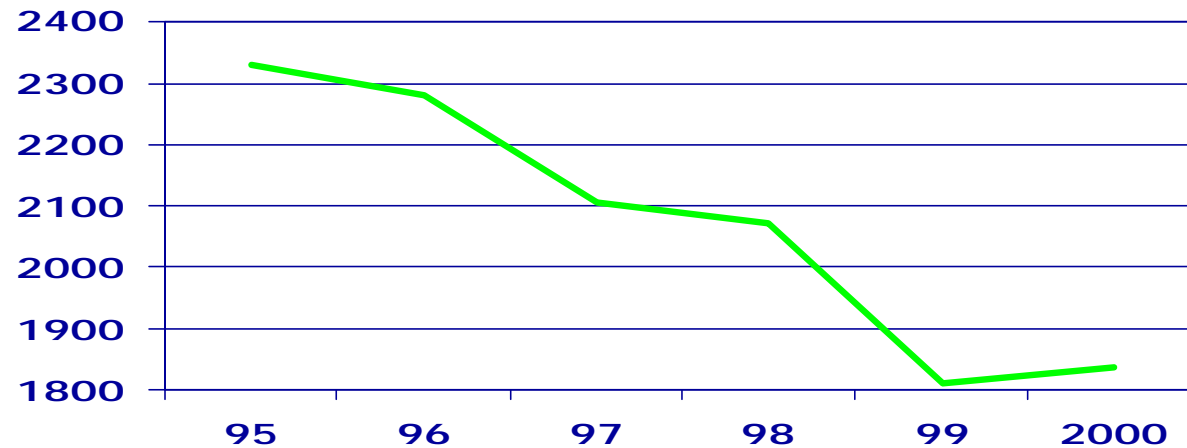


# ASSETS THAT DRIVE VALUE

## STAFF EVOLUTION



## STAFF AT HEADQUARTERS EVOLUTI ON



# ASSETS THAT DRIVE VALUE

## EMPLOYEES

34.18%

### AGE BREAKDOWN

24.14%

19.02%

22.34%

0.32%

21 - 30

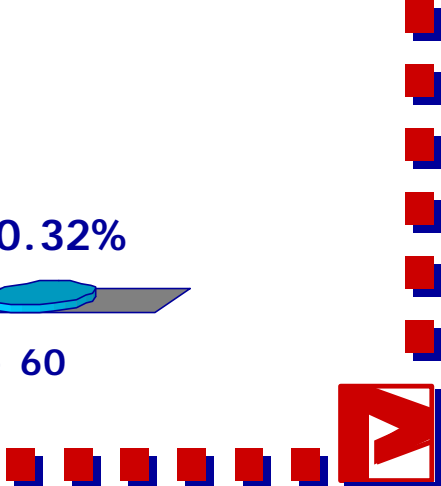
31 - 40

41 - 50

51 - 60

+ 60

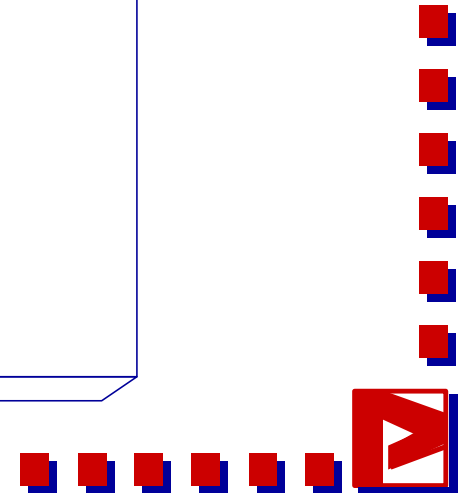
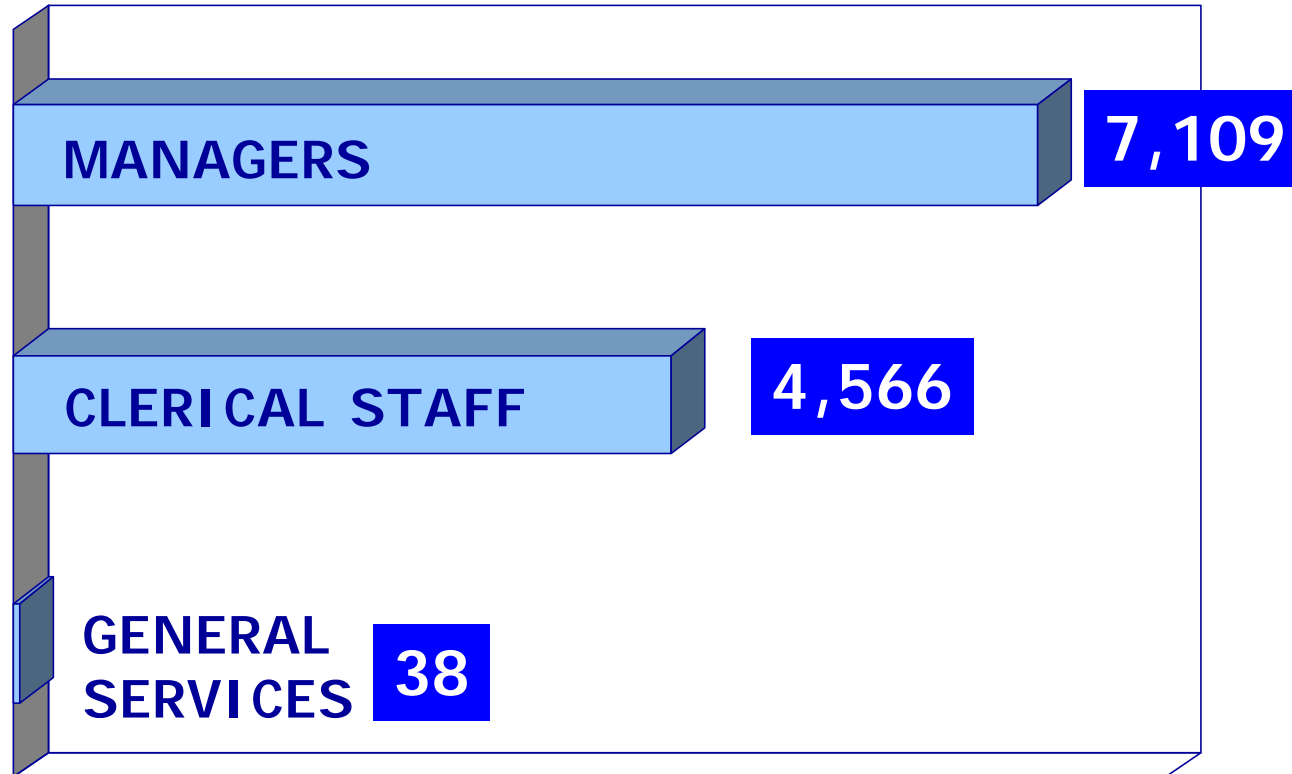
Age bracket



# ASSETS THAT DRIVE VALUE

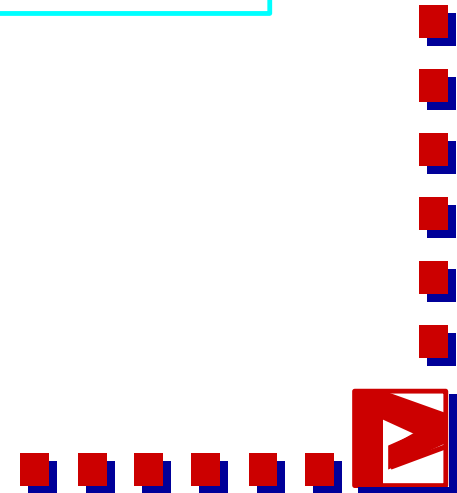
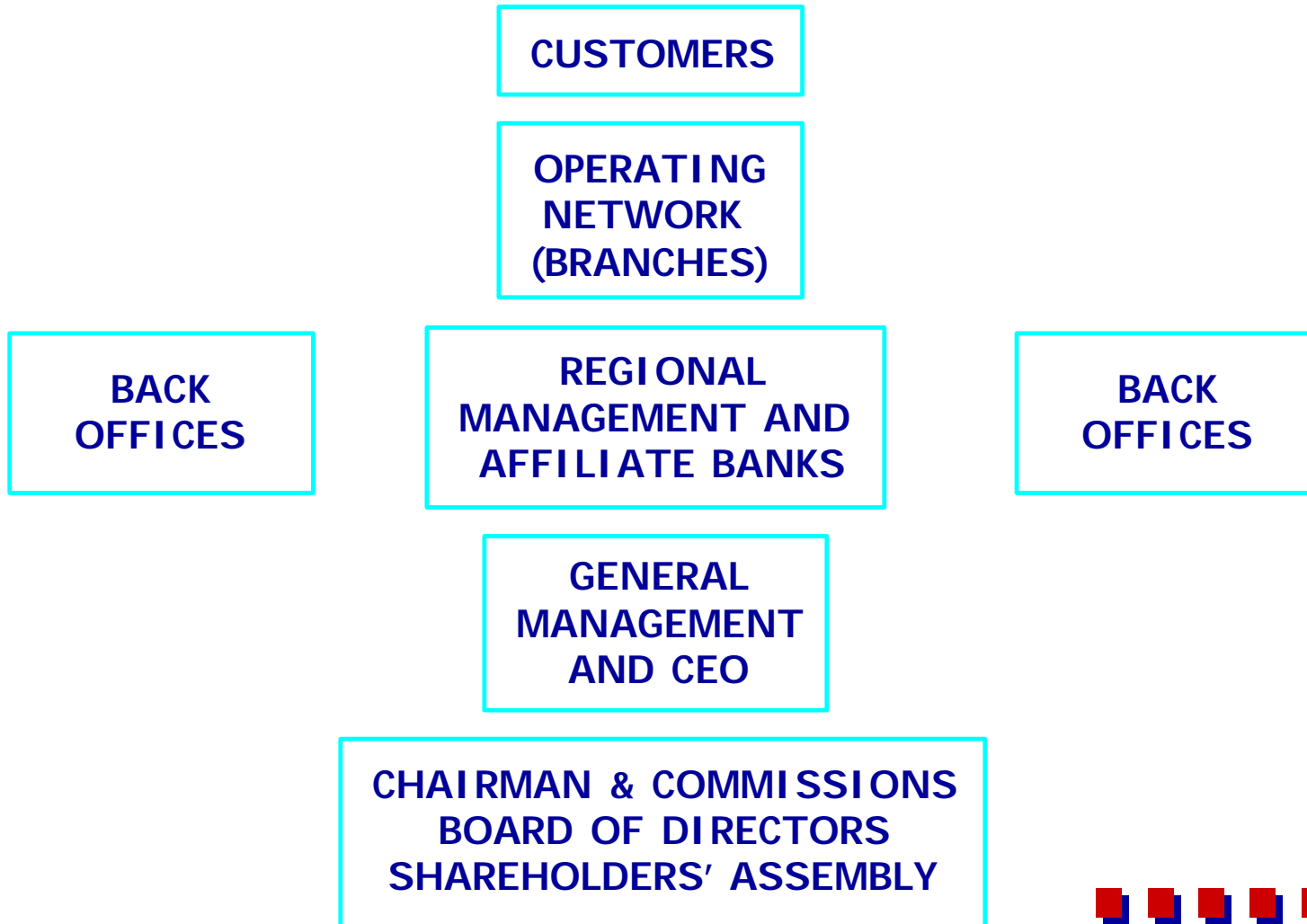
## EMPLOYEES

### STAFF BREAKDOWN



# ASSETS THAT DRIVE VALUE

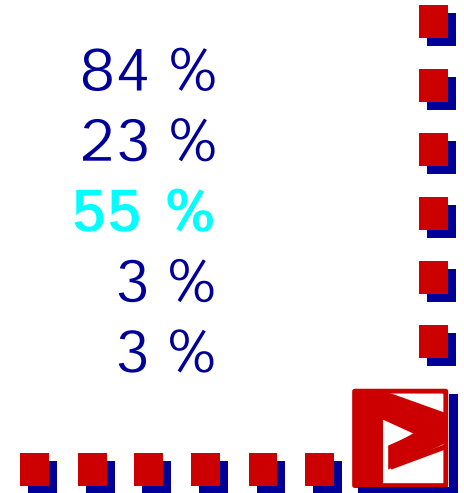
## ORGANIZATION



## ASSETS THAT DRIVE VALUE

### FINANCIAL

<i>(% of Total Assets)</i>	Dec. 31, 2000	
	Popular	Industry Av.
Interest Earning Assets	95 %	88 %
Loans to Credit Institutions	17 %	18 %
<b>Loans to Clients</b>	<b>73 %</b>	<b>49 %</b>
Bonds	5 %	21 %
Interest Bearing Liabilities	87 %	84 %
Debt with Credit Institutions	15 %	23 %
<b>Deposits</b>	<b>66 %</b>	<b>55 %</b>
Debt Evidenced by Securities	4 %	3 %
Subordinated Debt	2 %	3 %





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