

Banco Popular Group

**EXPANDING
FAST**

October 2004



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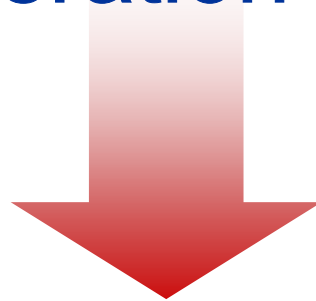
MAIN TRAITS OF THIRD QUARTER

- 1 STRONG GROWTH DRIVE**
 - ▶ Faster growth than industry of non-mortgage loans
 - ▶ Unflagging market share gains
- 2 IMPROVING CREDIT QUALITY**
- 3 EXPANSION IN GROWTH BASE**
 - ▶ Number of customers
 - ▶ Number of branches
- 4 FINE PERFORMANCE IN PORTUGAL**
- 5 OPERATING PERFORMANCE**
- 6 3-YEAR PROGRAM GOALS**

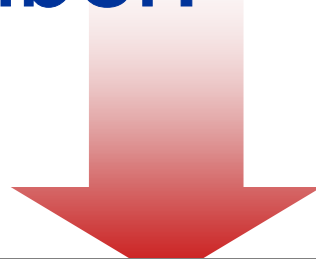
STRONG GROWTH DRIVE

LOANS TO PRIVATE-SECTOR RESIDENTS

Strong acceleration in loan growth



September: + 23.3% p.a.



Faster market share gain

STRONG GROWTH DRIVE

LOANS TO PRIVATE-SECTOR RESIDENTS

(August 31, 2004 year-on-year % change)

	May 04	August 04
POPULAR	+21.7	+23.1
BANKS	+15.1	+13.7
BANKS + SAVINGS BANKS	+16.0	+15.6

STRONG GROWTH DRIVE

LOANS TO PRIVATE-SECTOR RESIDENTS

Validating leadership in
non-mortgage loan growth

June: + 18.4% p.a.

September: + 20.3% p.a.

STRONG GROWTH DRIVE

LOANS TO PRIVATE-SECTOR RESIDENTS

(July 31, 2004 year-on-year % change)

Widening the gap in
non-mortgage loans

POPULAR	+20.0%
BANKS	+9.0%

STRONG GROWTH DRIVE

MAJOR LOAN CATEGORIES (*)

(Accumulated % change)

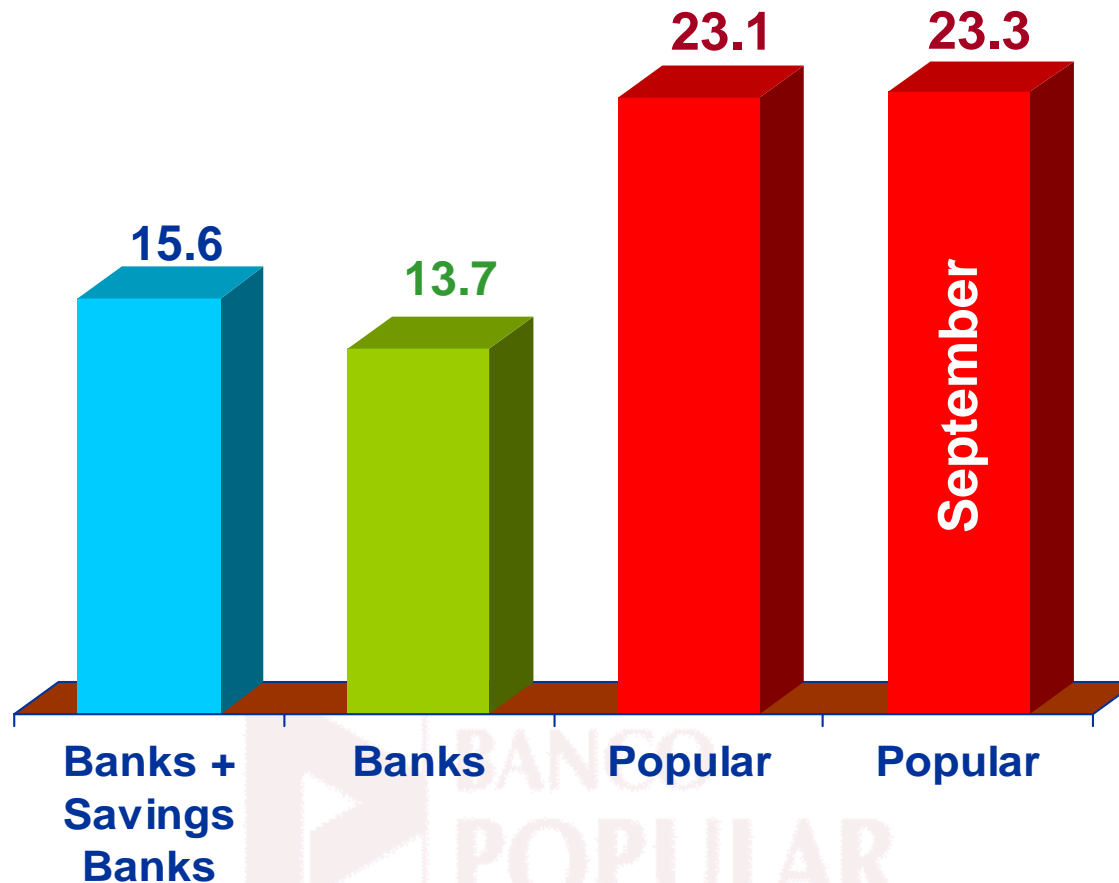
	Growth rate <i>September 04</i>	% of total loans
Bill discounting	17.3	11.4
Mortgage loans	30.5	52.5
Personal loans & overdrafts	18.5	29.5
Leasing	24.3	5.5
TOTAL	23.5	

(*) All loans except NPLs & Repos

STRONG GROWTH DRIVE

LOANS TO PRIVATE-SECTOR RESIDENTS (ex BNC)

(August 31, 2004 year-on-year % change)



STRONG GROWTH DRIVE

**NON MORTGAGE LOANS
GROWTH TWICE AS FAST AS
THE BANKING INDUSTRY**



STRONG GROWTH DRIVE

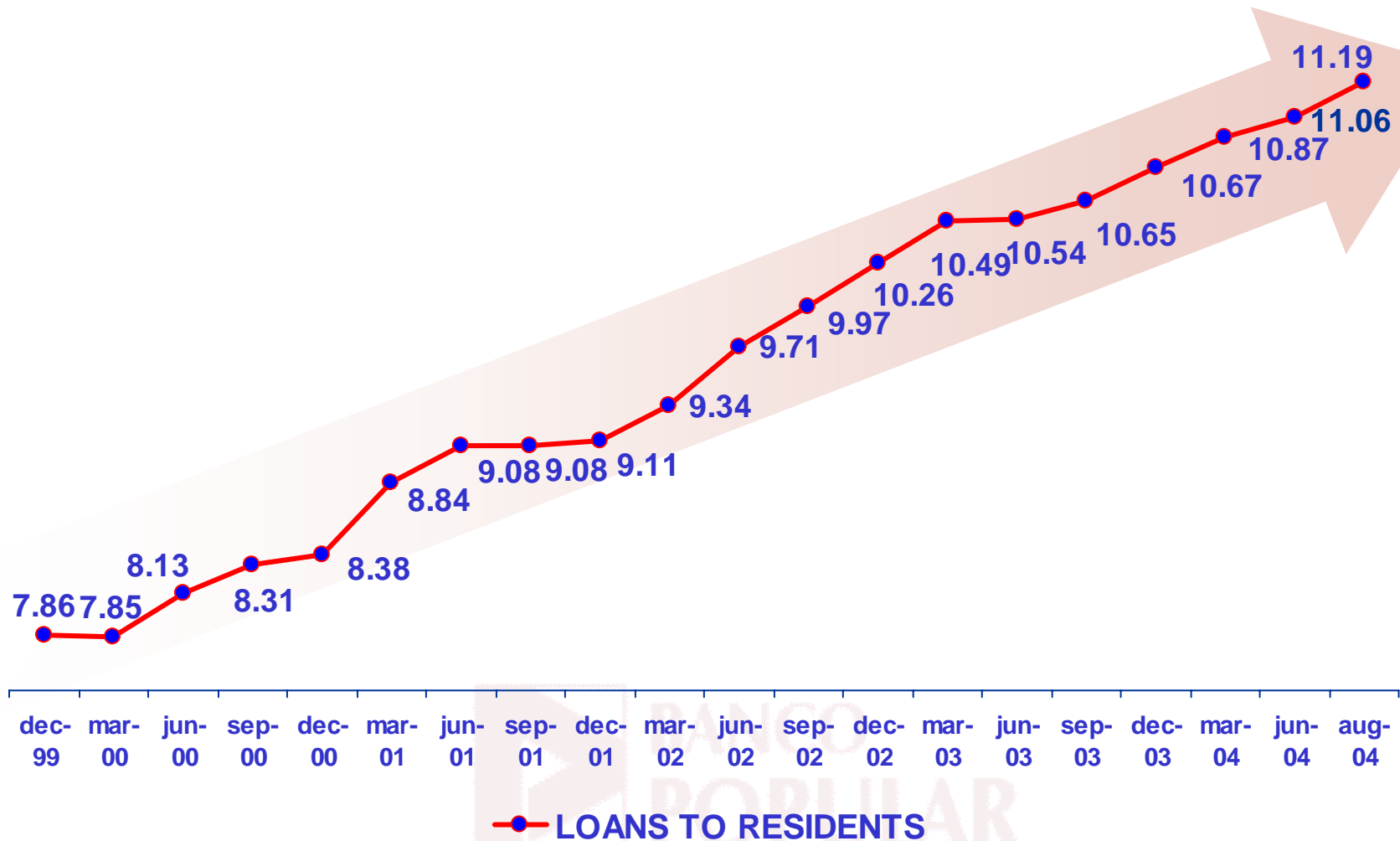
GROWTH RATE – NON MORTGAGE LOANS

	July 04			Sept. 04	
	SAVINGS BANKS	BANKS	BANKS + S. BANKS	BPE	BPE
Bill discounting	11.9	12.7	12.4	20.0	18.4
Personal loans & overdrafts	13.2	7.4	9.6	19.4	20.3
Leasing	10.1	19.3	17.3	22.4	24.3
Non mortgage	12.9	9.0	10.5	20.0	20.3

Excluding REPOs, prepayment & other and NPL
 Source: Banco de España Boletín Estadístico

STRONG GROWTH DRIVE

MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)



STRONG GROWTH DRIVE

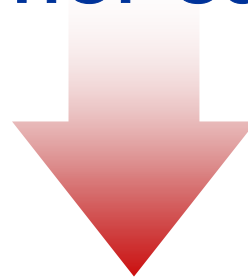
MARKET SHARE GAINS IN ALL LOAN CONCEPTS

BANKS + SAVINGS BANKS (%)

	2000	2001	2002	2003	June 04
Bill discounting	10.17	10.22	10.75	11.09	11.62
Secured loans	3.34	4.17	4.75	4.98	5.09
Personal loans & overdrafts	3.95	4.12	4.10	4.37	4.53
Leasing	9.00	9.40	9.00	8.50	9.85

STRONG GROWTH DRIVE

And also fast acquisition of
customer savings ⁽¹⁾



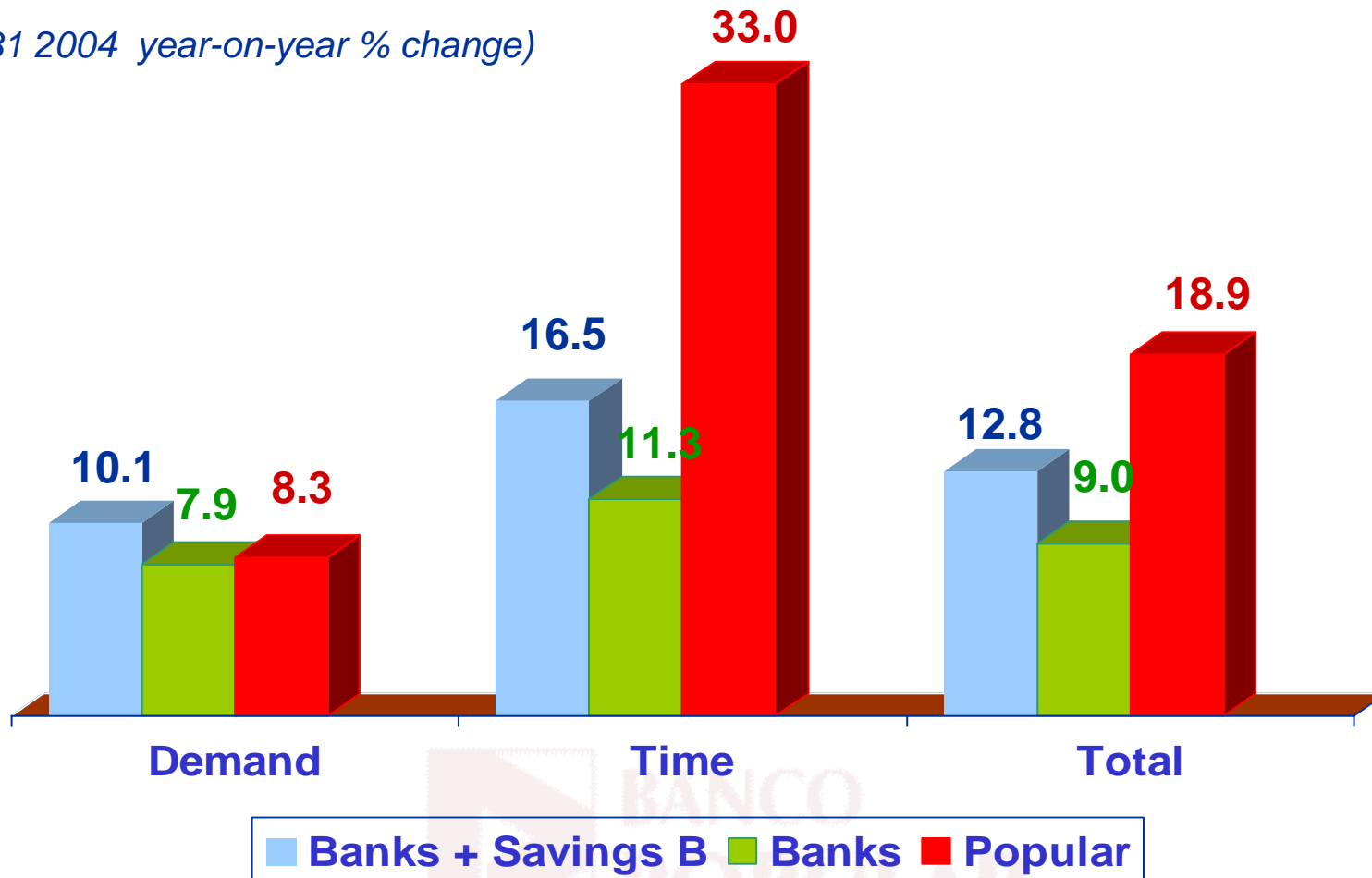
September: + 13.9% p.a.

(1) Excluding EMTN, covered bonds and REPOs.

STRONG GROWTH DRIVE

GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(August, 31 2004 year-on-year % change)



STRONG GROWTH DRIVE

CORE RESIDENT-CUSTOMER DEPOSITS (ex BNC)

(Accumulated % change)

	Sept.-03	Dec.-03	Without covered bonds Sept.-04
Demand deposits	9.1	10.3	12.2
Time deposits	8.7	5.9	4.7
Customers commercial paper	29.5	58.1	54.7
TOTAL	10.8	12.4	14.1

STRONG GROWTH DRIVE

**SUSTAINED MARKET SHARE
GAINS IN MUTUAL FUNDS**



STRONG GROWTH DRIVE

MUTUAL FUNDS VOLUMES IN 2004 vs. INDUSTRY –SPAIN ONLY-

	Net Asset Value	
	Sept. 04(€million)	% change
Money Market	1,688.9	-8.1
Bonds	1,840.4	15.2
Fixed income	3,529.3	2.7
Equity	717.2	42.1
Balanced	714.2	5.0
Guaranteed	2,203.2	21.3
Global	347.9	1,922.7
TOTAL	7,511.8	16.4
		10.4

← BANCO POPULAR GROUP *
← INDUSTRY

Outperformance due to:

	POPULAR	INDUSTRY
Net Inflows	13.5%	8.1%
Management / Markets	2.9%	2.3%

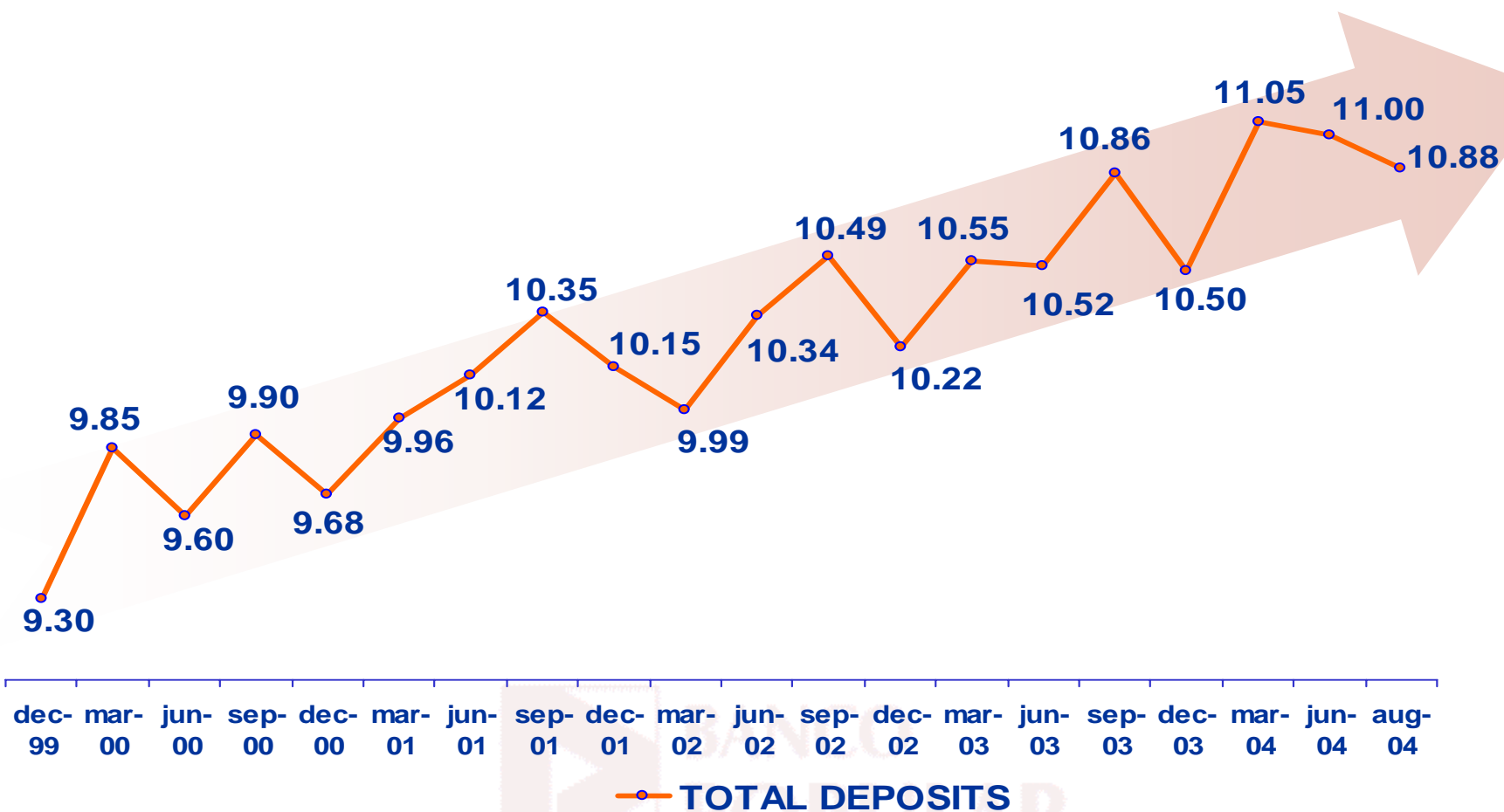
	Sept. 04	Sept. 03
Improvement in market share	3.53%	3.35%

* Excluding BNC & Popular Banca Privada. The total amount including BNC & PBP amounts to €8,314.8 million (+18.4%)

STRONG GROWTH DRIVE

MARKET SHARE OVER COMMERCIAL BANKS (ex BNC)

Without covered bonds



STRONG GROWTH DRIVE

AFFINITY GROUPS

(Euro million)

	No. of clients	On- & off-B/S AuM	Loans
SME Affinities Change (1)	177,455 33%	2,199 51%	8,073 45%
Individuals-Affinity (*) Change (1)	354,333 43%	4,951 25%	4,485 62%

(*) Ex. POP Club
(1) Year-on-year



IMPROVING CREDIT QUALITY

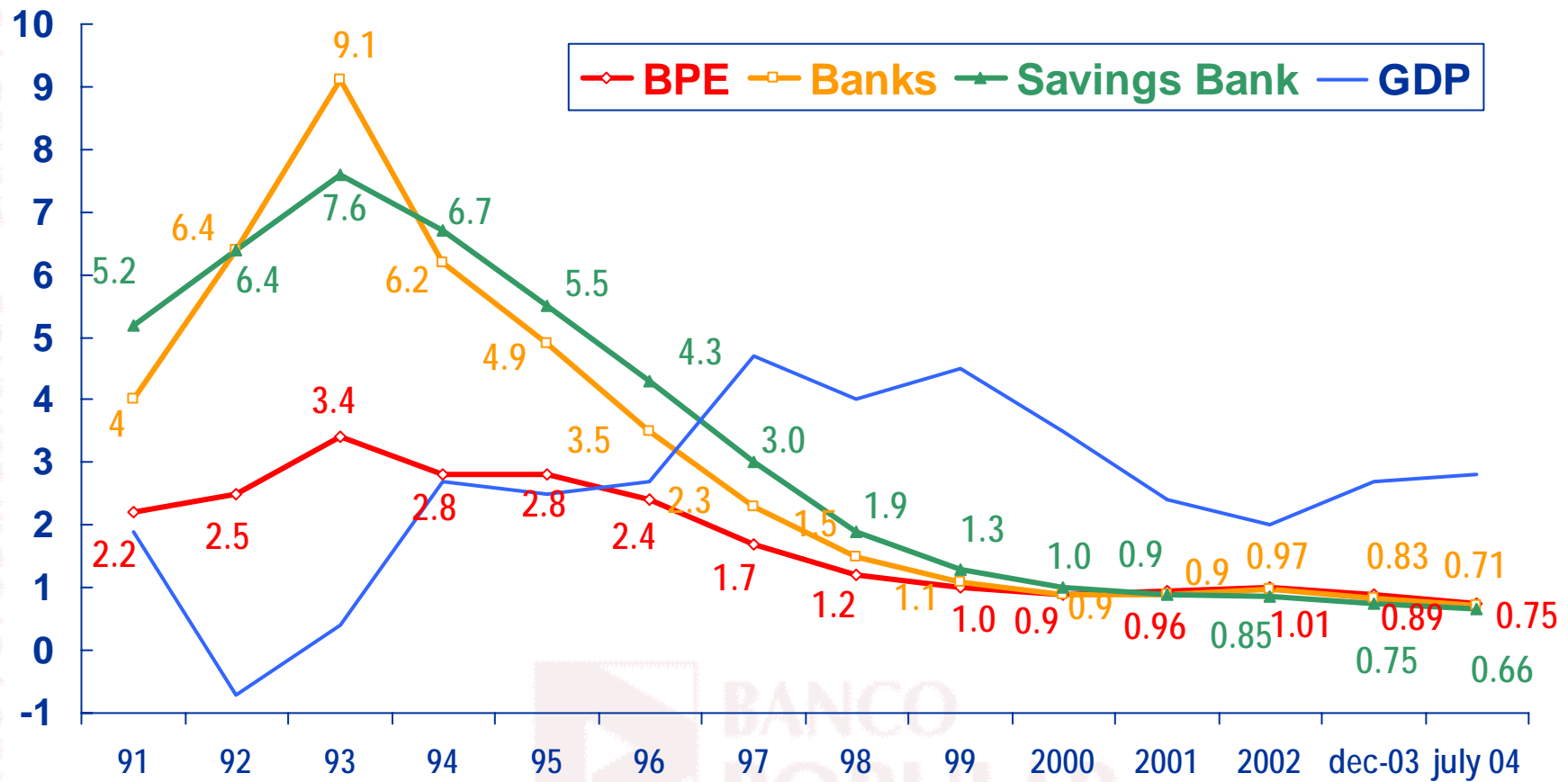
**LOWER NPLs DUE TO
IMPROVEMENT IN SME
CREDIT QUALITY**



IMPROVING CREDIT QUALITY

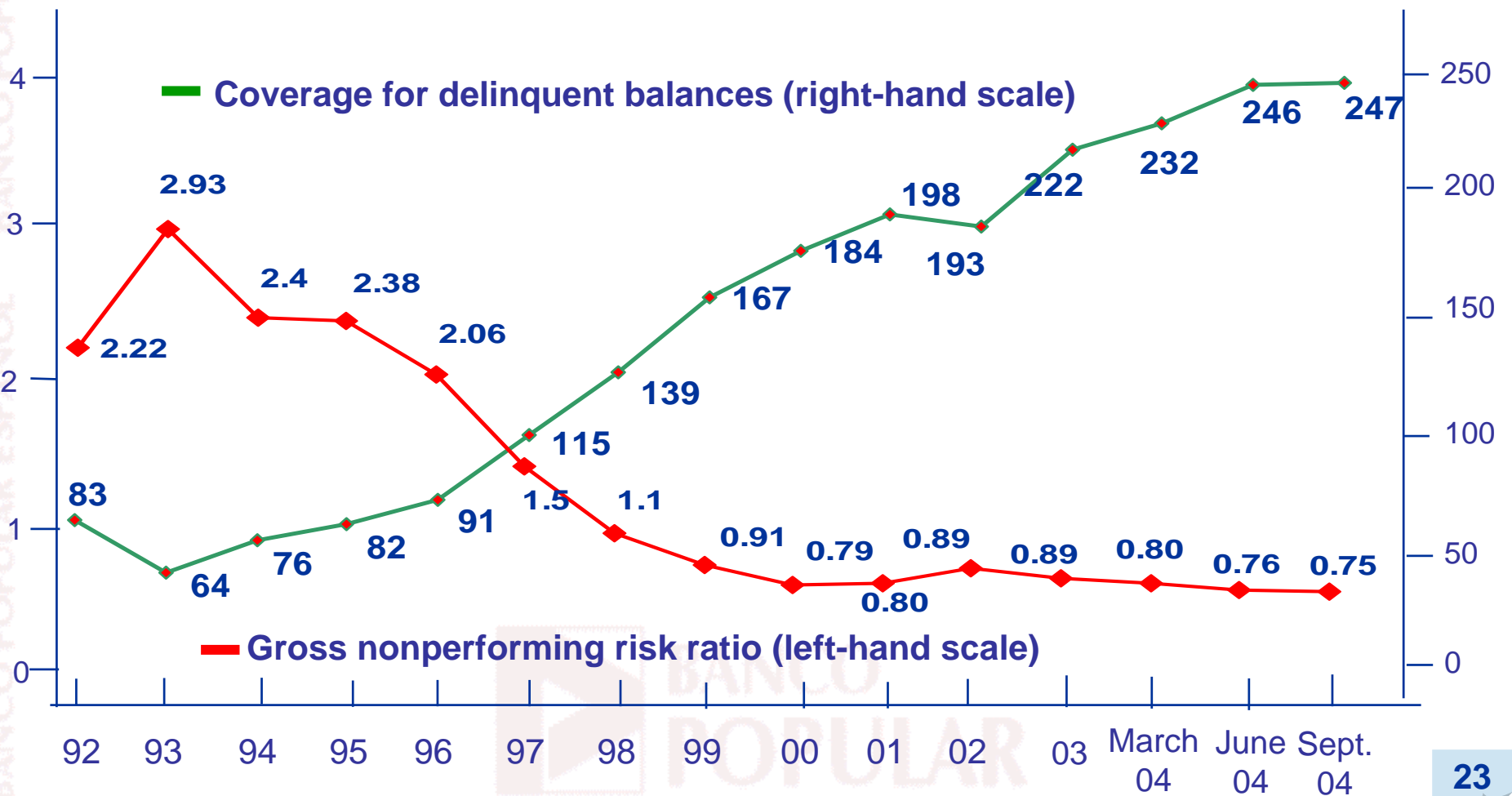
LOAN PORTFOLIO QUALITY

Nonperforming loans / Credit to private-sector resident borrowers (%)



IMPROVING CREDIT QUALITY

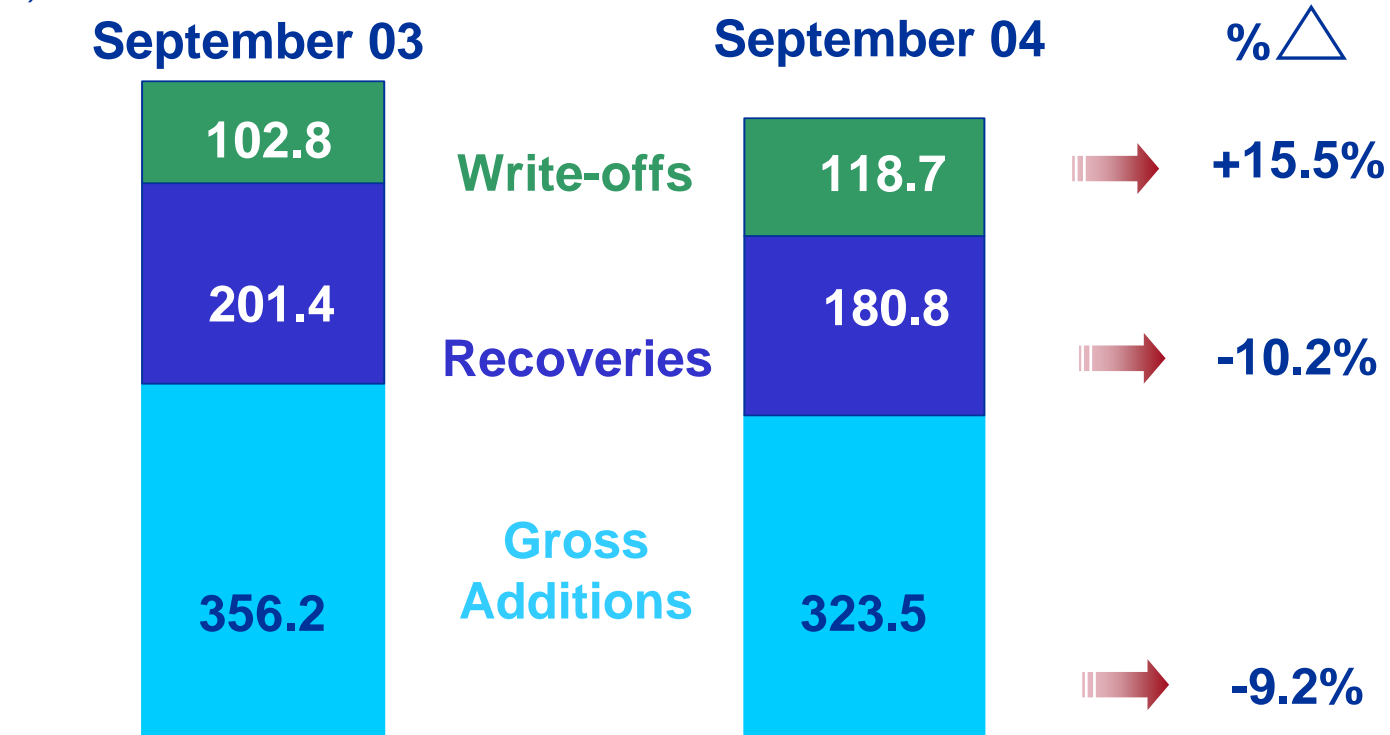
VARIATION IN THE NON PERFORMING RISK RATIO AND COVERAGE FOR DELINQUENT BALANCES



IMPROVING CREDIT QUALITY

NPL EVOLUTION

(Euro million)



Net Change 52.0



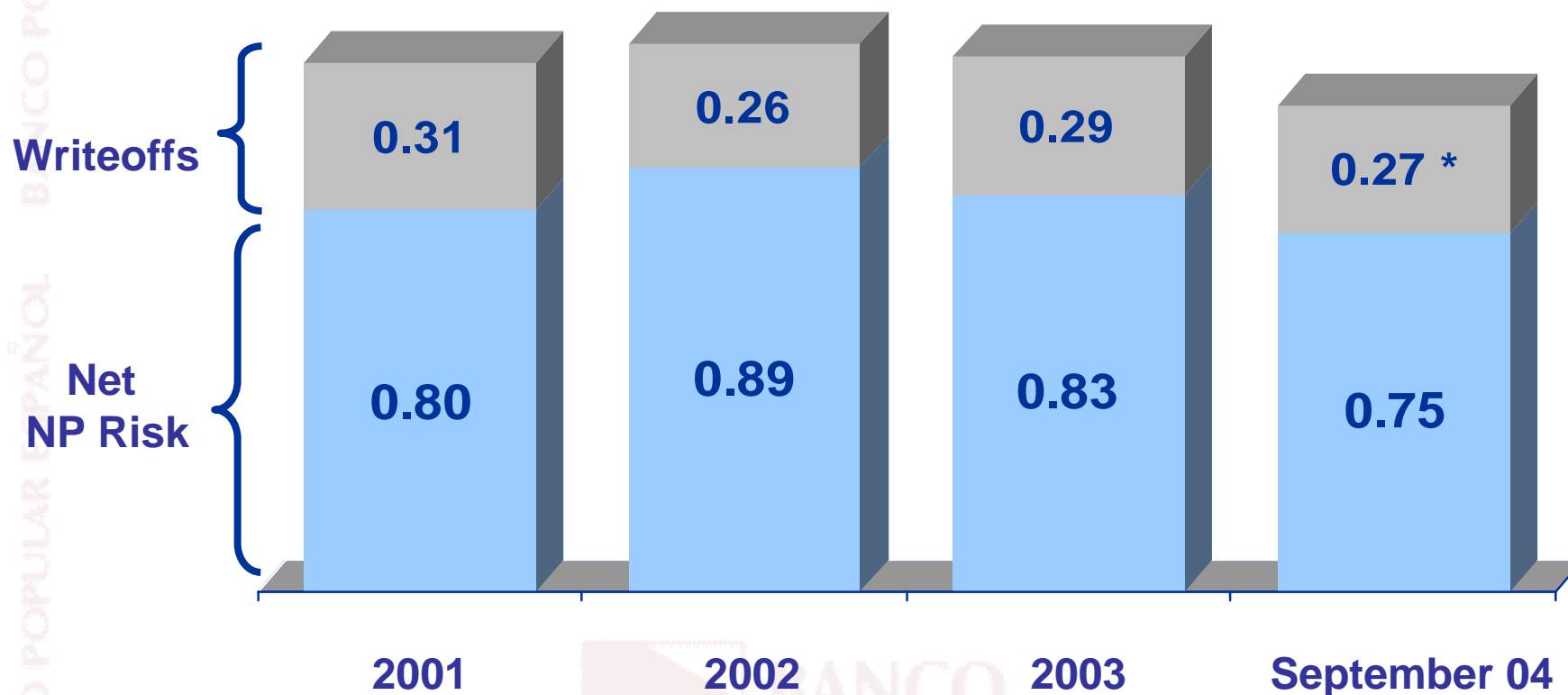
Net Change 24.0



- 53.8%

IMPROVING CREDIT QUALITY

NON PERFORMING RISK (bps)



* Annualized



EXPANSION IN GROWTH BASE

1 GROWTH IN CUSTOMERS

2 MORE BRANCHES

▶ Actually opened

and

▶ Leased / bought for impending opening



EXPANSION IN GROWTH BASE

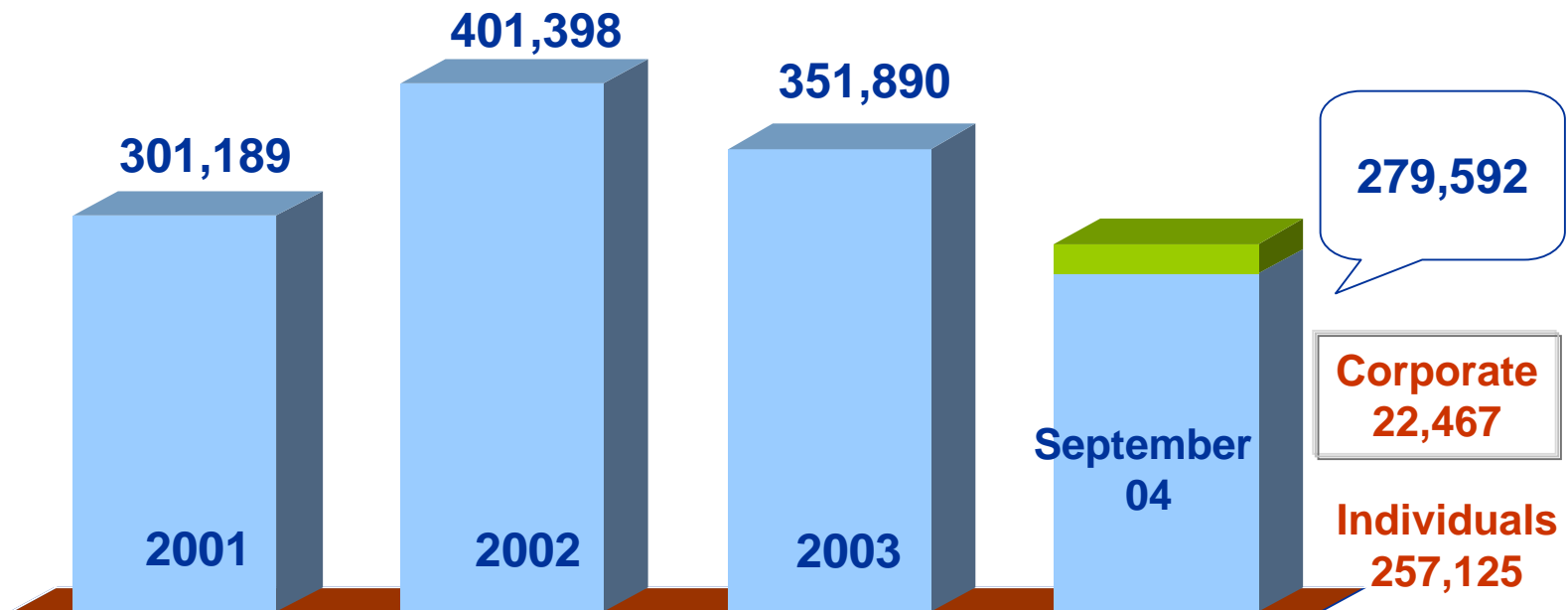
316,187

net NEW customers in 9 mos. 2004



EXPANSION IN GROWTH BASE

NET NEW CLIENTS (Spain)



Total number of clients: 5,284,690

Individuals: 4,882,068
Corporate: 402,622

y-o-y %

7.52

7.45

8.31

FINE PERFORMANCE IN PORTUGAL

ACTIVATE UNDERLYING VALUE



(September 30, 2004)

y-on-y
% Δ

Net interest revenue	33.0
Fees for services	36.9
Ordinary revenue	33.8
Operating cost	14.1
Operating income	49.9
Income before taxes	93.1
Net income attributable	95.0

FINE PERFORMANCE IN PORTUGAL

ACTIVATE UNDERLYING VALUE



(September 30, 2004)

y-on-y
% Δ

Total assets managed

22.8

Loans and discounts

25.2

Customer funds

1.3

Branches

12

Banco Popular

8

Opened

4



FINE PERFORMANCE IN PORTUGAL

ACTIVATE UNDERLYING VALUE



(September 30, 2004)

	September 2004	December 2003	Portuguese industry Dec. 03
R.O.A.	0.86	0.65	0.57
R.O.E.	12.90	8.77	9.21
Cost/income ratio	47.48	53.69	55.9
Net interest margin	2.84	2.53	1.71

FINE PERFORMANCE IN PORTUGAL

ACTIVATE UNDERLYING VALUE



	September 2004	December 2003
Number of clients	276,974	258,148
Individuals	238,582	
Corporate	38,392	



OPERATING PERFORMANCE

(Euro million)

	9 mos. 2004	y-on-y % Δ
Net interest revenue	1,448.2	8.5
Fees for services	493.8	10.1
Ordinary revenue	1,971.0	9.4
Operating cost	667.5	8.7
Operating income	1,214.3	9.9
Income before taxes	974.8	9.4
Net income attributable	585.6	11.9

OPERATING PERFORMANCE

EXCLUDING BNC

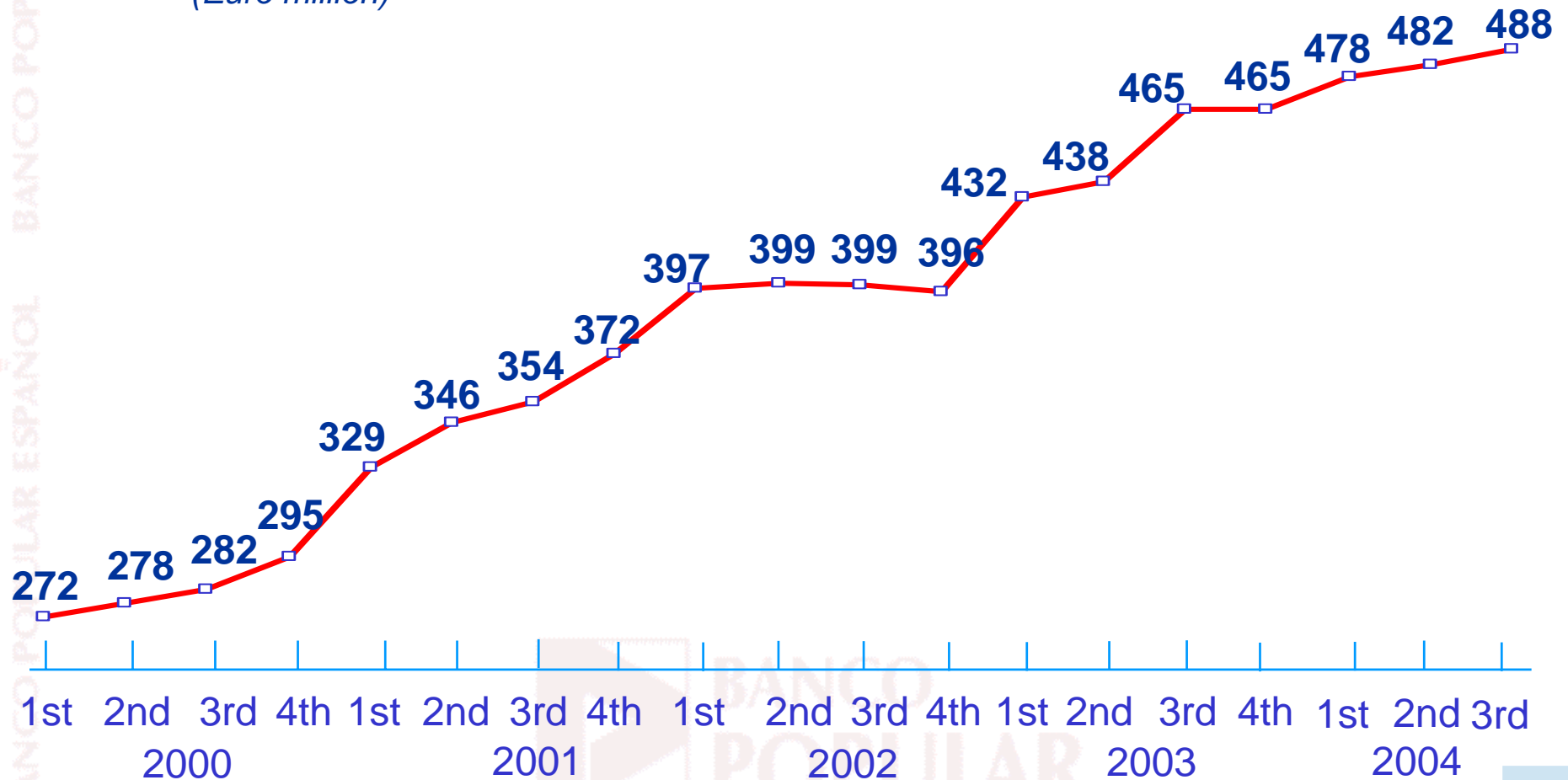
(Euro million)

	6 mos. 2004	y-on-y % Δ	9 mos. 2004	y-on-y % Δ
Net interest revenue	901.0	3.6	1,389.2	4.1
Fees for services	318.5	7.3	482.0	7.4
Ordinary revenue	1,233.5	4.4	1,899.8	5.5
Operating cost	410.4	2.5	637.1	3.8
Operating income	767.4	5.4	1,176.3	6.4
Income before taxes	615.2	6.5	958.9	7.6
Net income attributable	356.3	7.4	572.9	9.5

OPERATING PERFORMANCE

NET INTEREST REVENUE (Quarter standalone)

(Euro million)



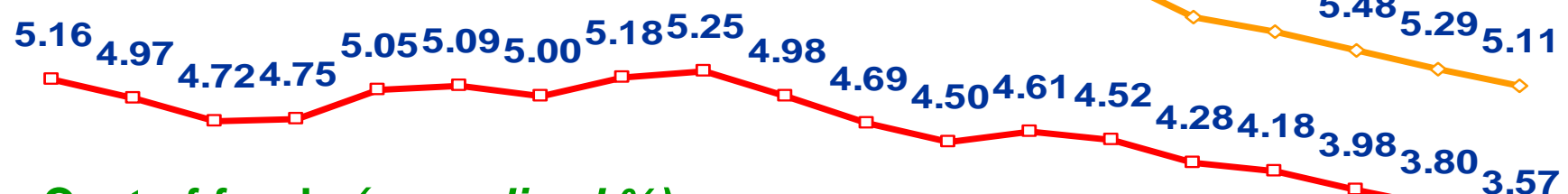
OPERATING PERFORMANCE

QUARTERLY CUSTOMER SPREAD

Credit yield (annualized %)



Customer spread (points)



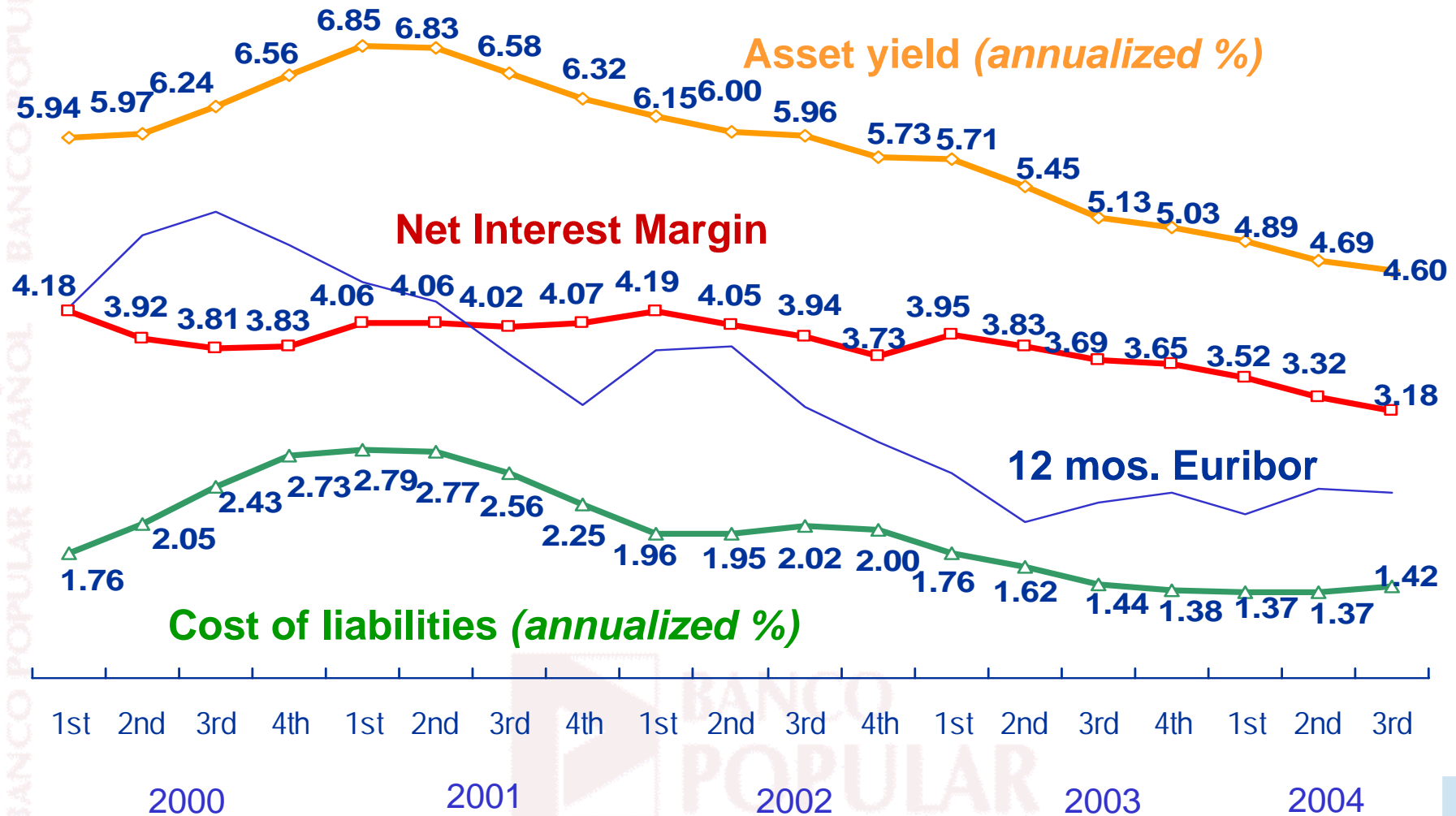
Cost of funds (annualized %)



1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd
2000 2001 2002 2003 2004

OPERATING PERFORMANCE

NET INTEREST MARGIN



OPERATING PERFORMANCE

INTEREST RATE IMPACT ON YIELDS & COSTS (ex-BNC)

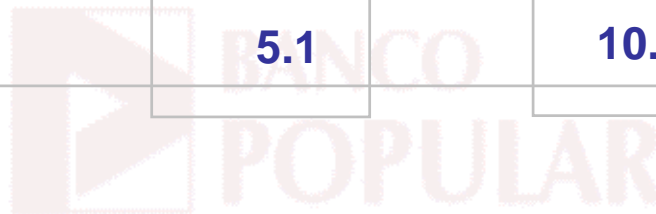
	From Base To	Sep 03/ Jun 03	Dec 03/ Sep 03	Mar 04/ Dec 03	Jun 04/ Mar 04	Sep 04/ Jun 04
Bill discounting		-0.32	-0.26	-0.11	-0.10	-0.02
Mortgages		-0.26	-0.24	-0.18	-0.16	-0.08
SME & Consumer		-0.22	-0.18	-0.24	-0.09	-0.03
Overdrafts		-0.24	-0.16	-0.22	-0.12	-0.09
Leasing		-0.46	-0.25	-0.26	-0.17	-0.07
TOTAL		-0.27	-0.23	-0.19	-0.14	-0.07
Demand Deposits		-0.01	0.01	0.01	0.01	0.01
Time Deposits		-0.35	-0.03	-0.01	-0.01	0.03
Commercial Paper		-0.14	0.03	-0.05	0.04	0.01
TOTAL		-0.15	-0.01	0.06	0.00	-0.02
Differential		-0.12	-0.22	-0.25	-0.14	-0.05

OPERATING PERFORMANCE

FEEES FOR SERVICES

Year-on-year % accum. Δ

	<i>Sept. 03</i>	<i>Sept. 04</i>	<i>As % of total fees</i>
Loan-related fees	(1.6)	11.0	12.1
Fees from guarantees	17.4	18.4	11.7
Collection & card-related	0.5	1.3	37.2
Customer financial asset mgt.	5.0	17.7	25.6
Mutual funds	5.7	20.0	17.0
Other AM	3.8	13.3	8.6
Account mgt. Fees	5.6	29.3	9.2
Other (inc. Inv. Banking)	53.0	(6.3)	4.2
TOTAL	5.1	10.1	100

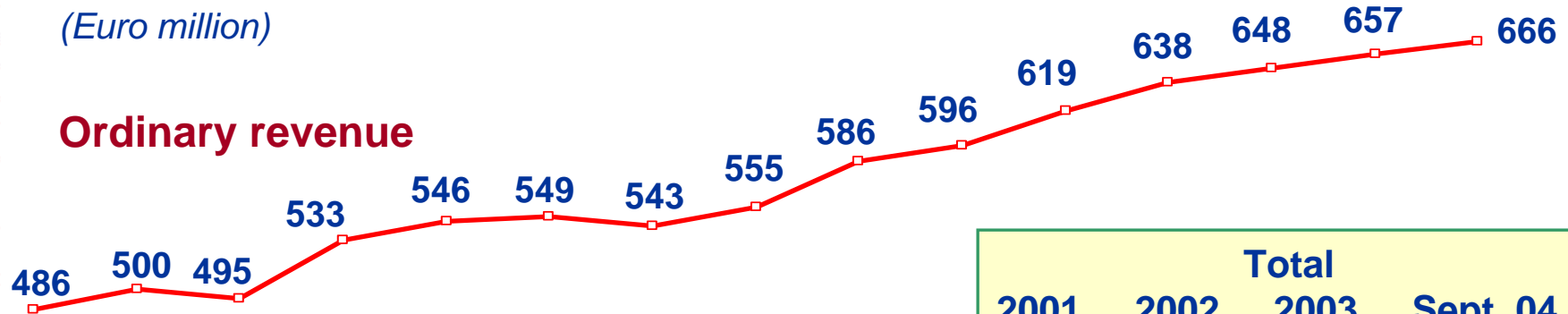


OPERATING PERFORMANCE

COST/INCOME RATIO

(Euro million)

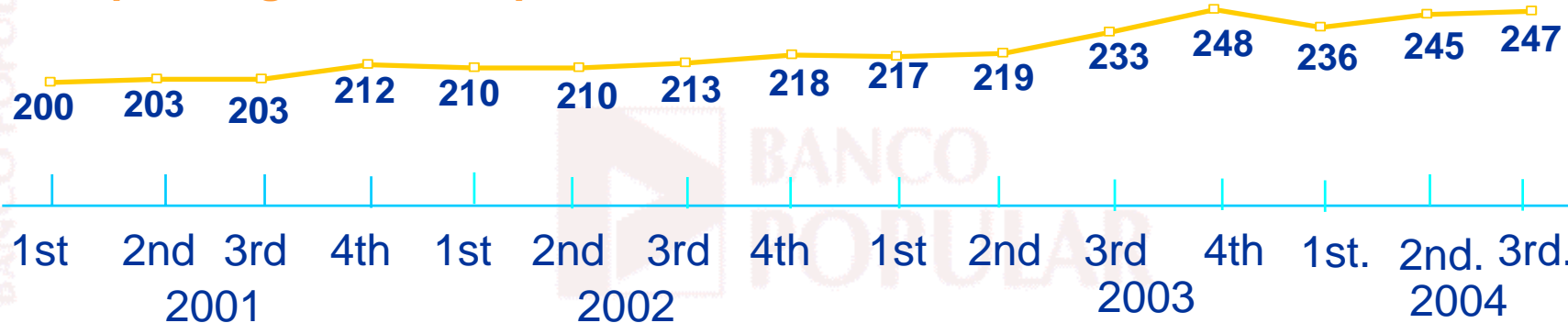
Ordinary revenue



Operating efficiency (%)



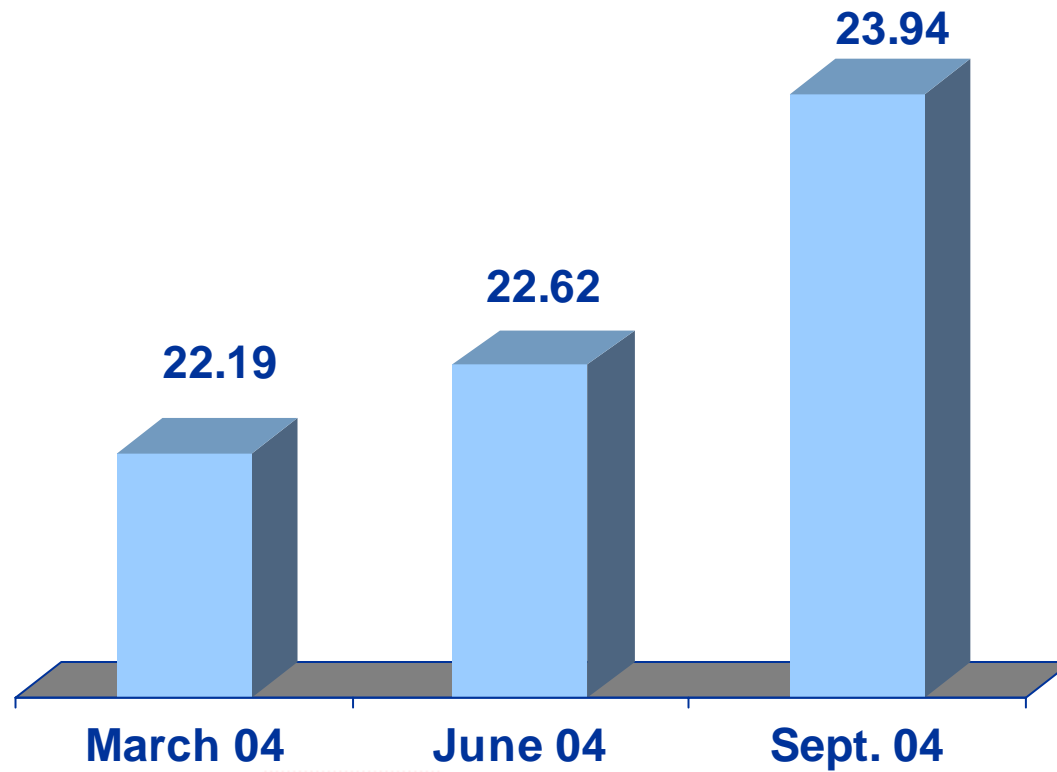
Operating costs + depreciation



Total			
2001	2002	2003	Sept. 04
40.59	38.79	37.63	36.89

ROE

ROE (%)



Data annualized



LOOKING AHEAD: POSITIVE IMPACT FROM RATES INCREASE

DURATION

(September 30, 2004)

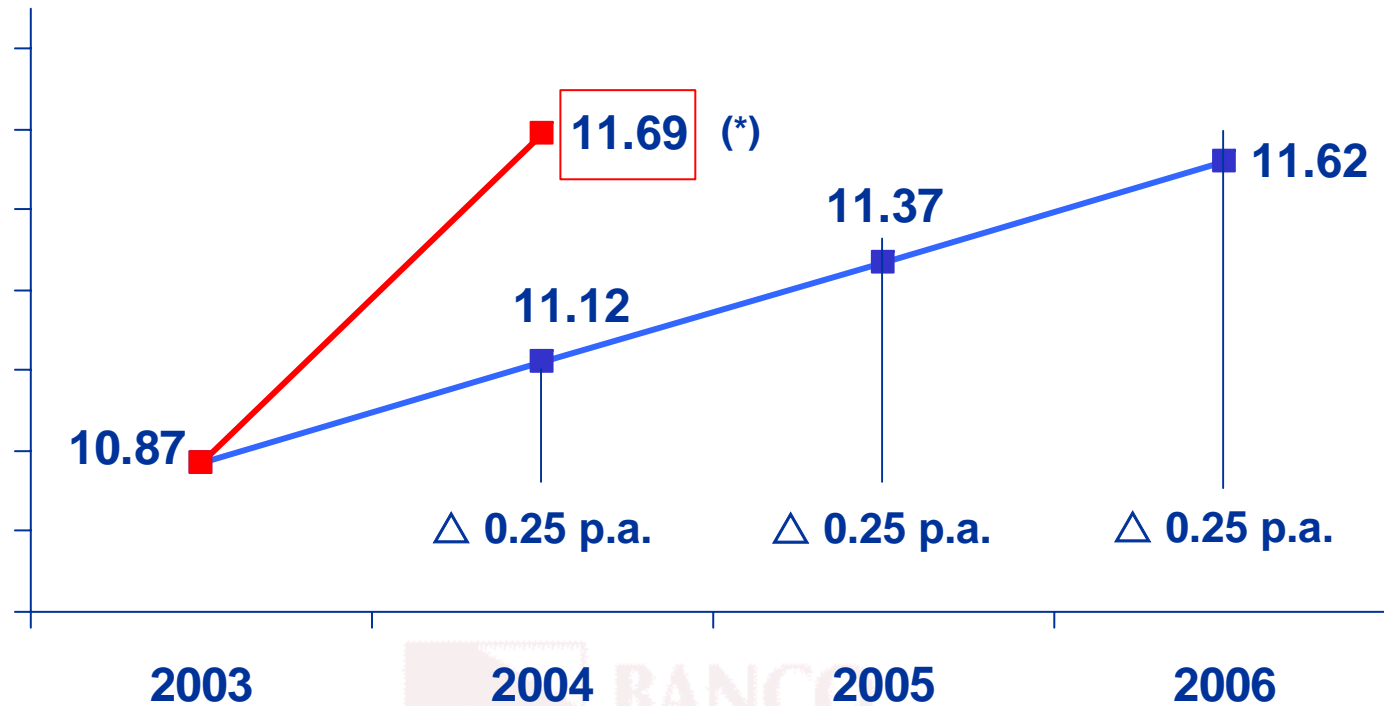
Holding Period 365

	Amount MM Euros	Interest Rate %	PV MM Euros	Duration Days	PV MM Euros	Duration Days
SENSITIVE ASSETS	55,203.1	3.83	55,750.7	246.85	50,061.9	136.04
MONETARY MARKET	9,918.7	2.16	9,894.4	332.55	7,250.4	32.32
LOANS	44,607.0	4.20	45,168.5	183.79	42,779.2	153.56
SECURITIES	677.4	4.24	687.8	3,155.57	32.3	212.30
SENSITIVE LIABILITES	40,562.2	2.25	40,693.6	161.55	37,727.3	78.97
MONETARY MARKET	18,898.5	2.17	18,886.2	173.54	16,884.8	41.65
CUSTOMER DEPOSITS	13,812.6	1.94	13,848.4	130.26	13,204.2	92.89
SECURITIES	7,851.1	2.98	7,959.0	187.53	7,638.3	137.39
EQUITY	3,112.5		15,057.2	477.40		

3-YEAR PROGRAM GOALS

MARKET SHARE OVER COMMERCIAL BANKS

LOANS TO RESIDENTS



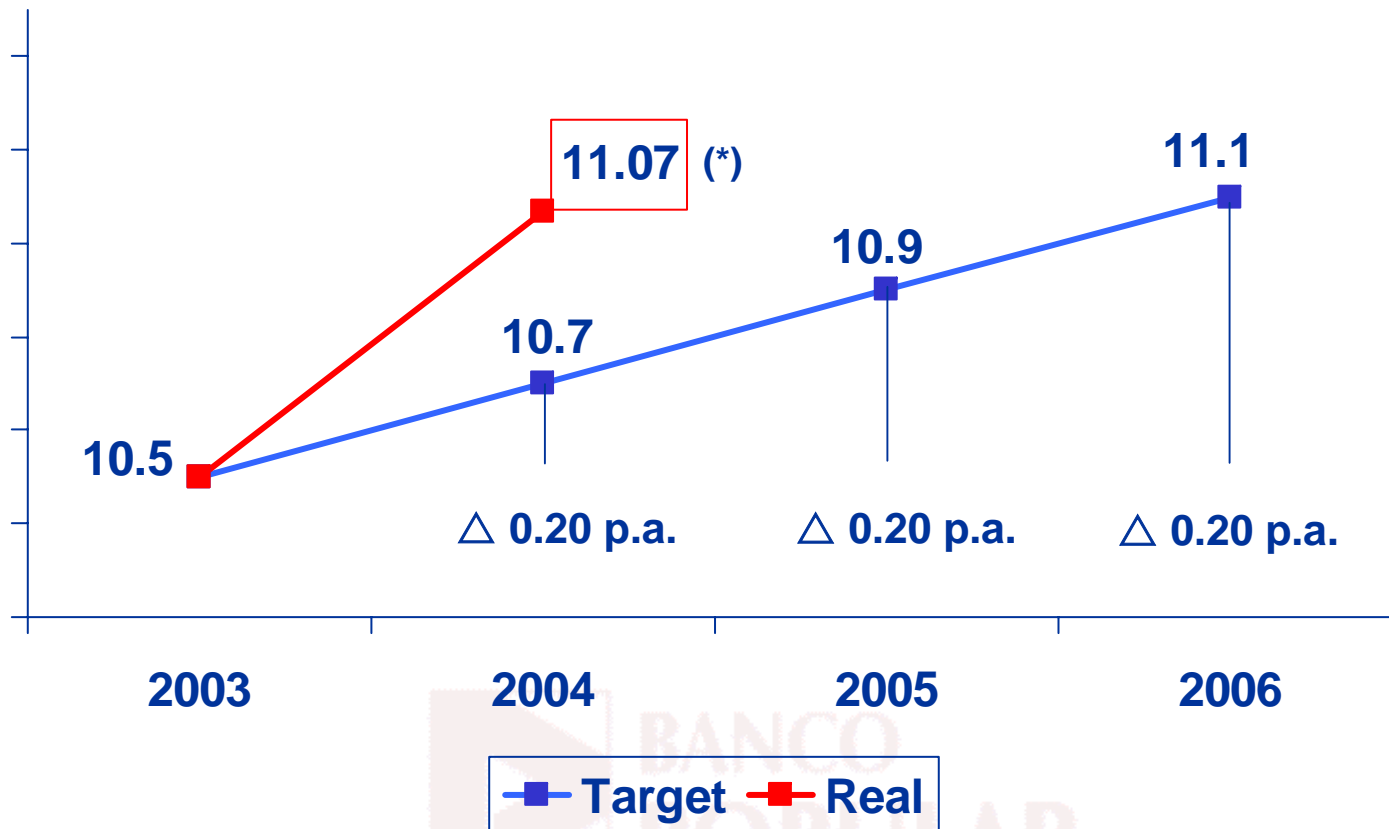
(*) Annualized

■ Target ■ Real

3-YEAR PROGRAM GOALS

MARKET SHARE OVER COMMERCIAL BANKS

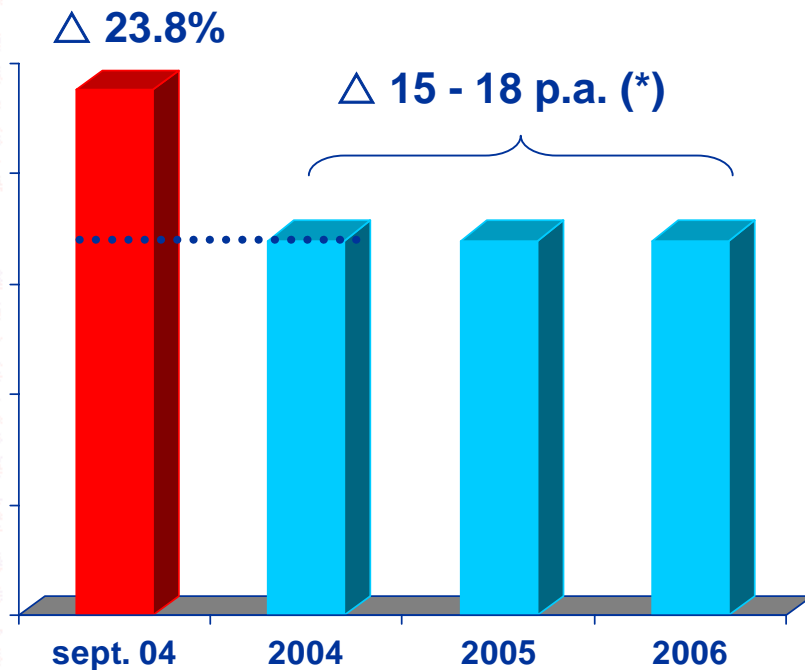
TOTAL DEPOSITS



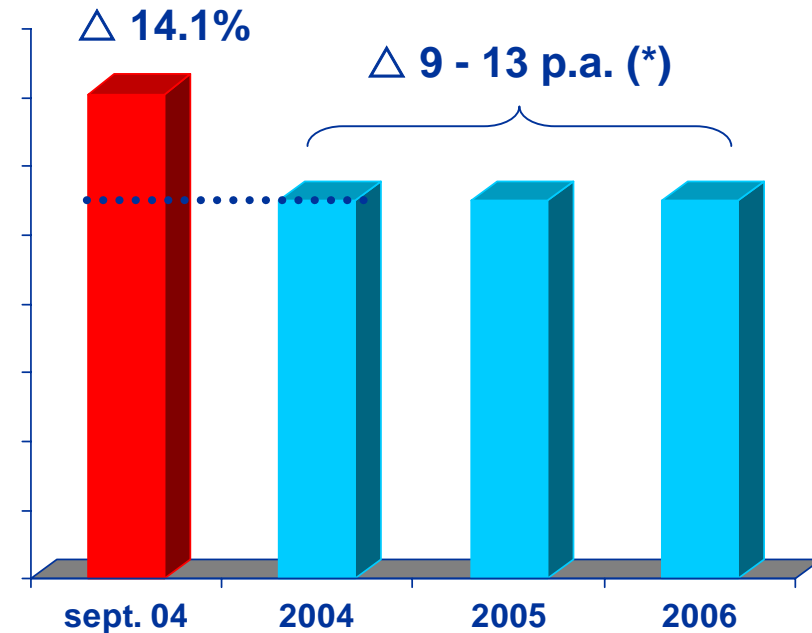
(*) Annualized

3-YEAR PROGRAM GOALS

LOAN BOOK



CUSTOMER FUNDS

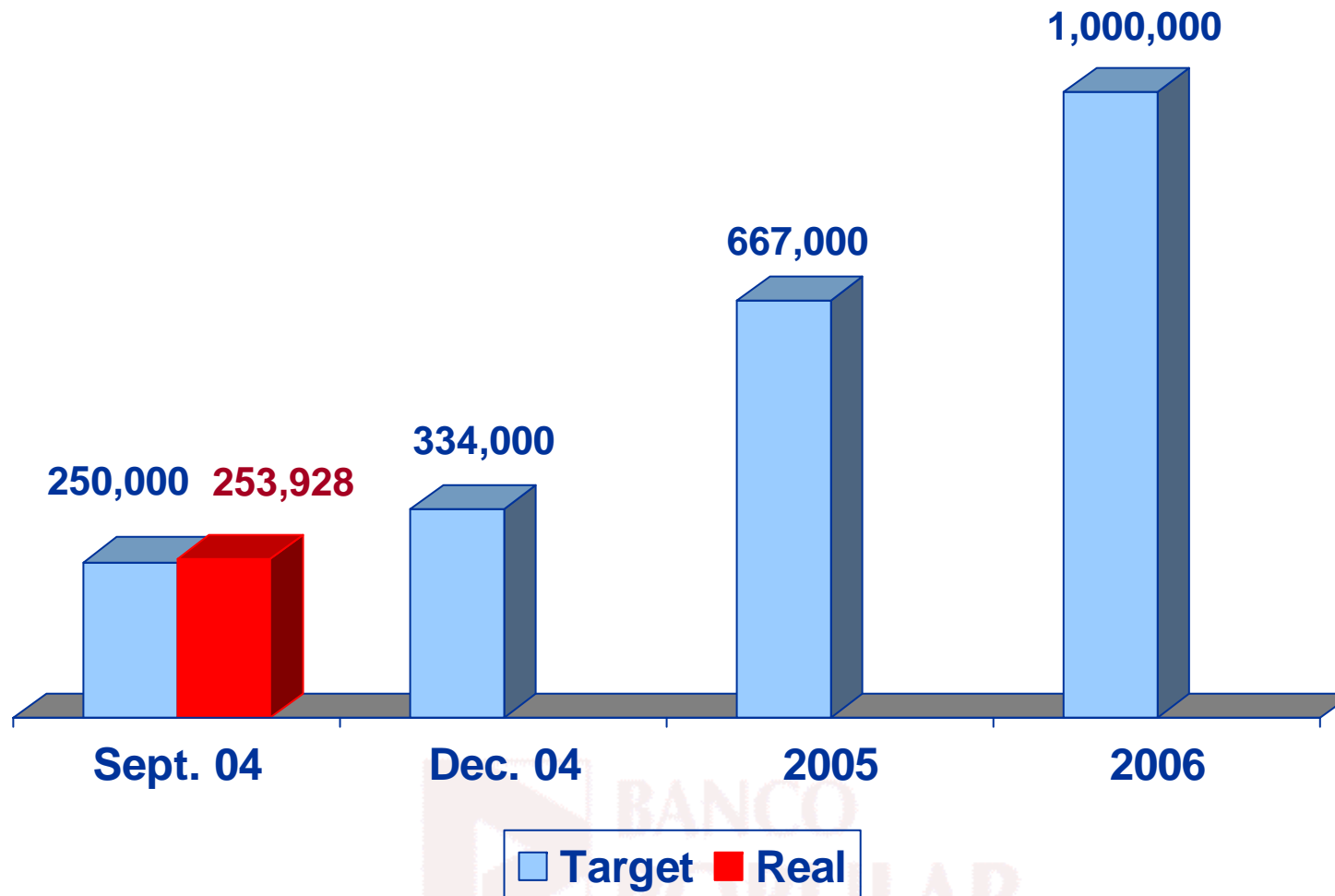


(*) As per SUMMA Plan



3-YEAR PROGRAM GOALS

NUMBER OF CLIENTS: INDIVIDUALS



3-YEAR PROGRAM GOALS

NUMBER OF CLIENTS: CORPORATE





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