

April – May – June 2007

*19 de julio, 2007*



**Grupo Banco Popular**

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▶ **Core business growth**

▶ **Strong Customer Acquisition**

▶ **Branch Network Expansion**

▶ **Earnings**

▶ **Banco Popular Portugal**

## Core Business Growth

<i>(€ million)</i>	<b>30.6.07</b>	<b>Δ %</b>
<b>Total assets managed</b>	116.327	16.2
<b>On-balance sheet total assets</b>	97.987	17.3
<b>Total equity</b>	5.881	11.4
<b>Funds managed:</b>	94.419	19.5
<b>On-balance sheet funds</b>	76.079	21.9
<b>Other intermediated funds</b>	18.340	10.5
<b>Lending to customers (gross)</b>	83.844	16.7
<b>Contingent risks</b>	11.487	0.6
<hr/>		
<b>Customers (thousands)</b>	6.707	5.2
<b>Employees</b>	14.413	2.5
<b>Branches</b>	2.453	1.8

## Core Business Growth

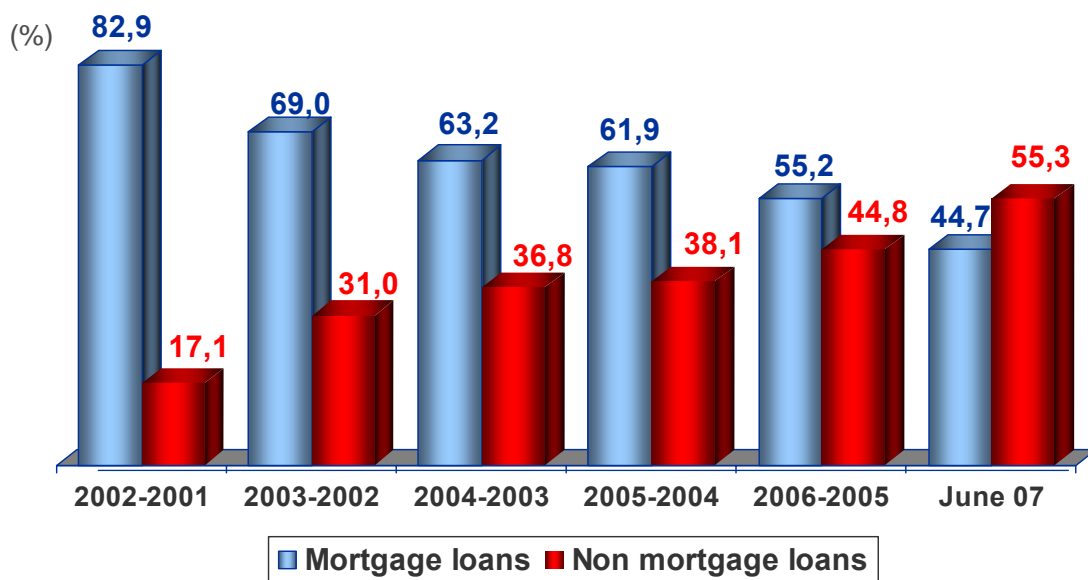
- MAJOR LOAN CATEGORIES (\*)

<i>June 2007 (Accumulated % change)</i>	<b>Growth rate %</b>	<b>% of Total loans</b>
<b>Bill discounting</b>	15.4	9.4
<b>Mortgage loans</b>	13.6	53.7
<b>Loans &amp; overdrafts</b>	25.2	32.4
<b>Leasing</b>	3.7	4.5
<b>TOTAL</b>	<b>16.8</b>	<b>100.0</b>

(\*) All loans except NPLs & Repos

## Core Business Growth

### ■ GROWTH

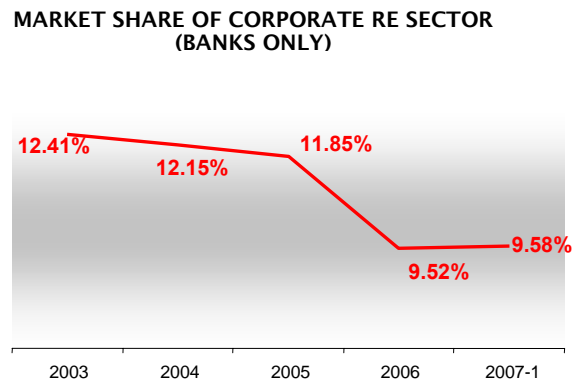
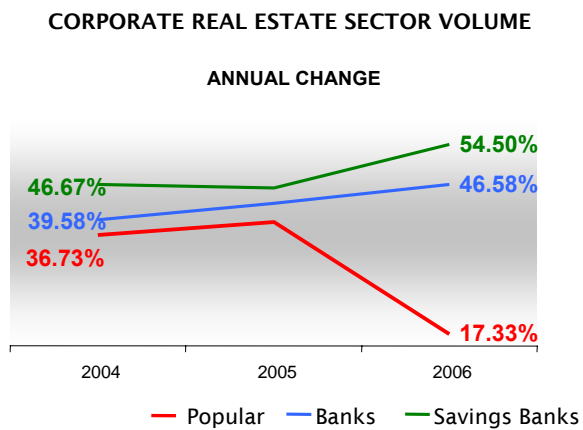


\* Adjusted for securitization

April - May - June 2007

## Core Business Growth – Credit Improvement

### ▪ MARKET SHARE IN REAL ESTATE ACTIVITIES(\*)

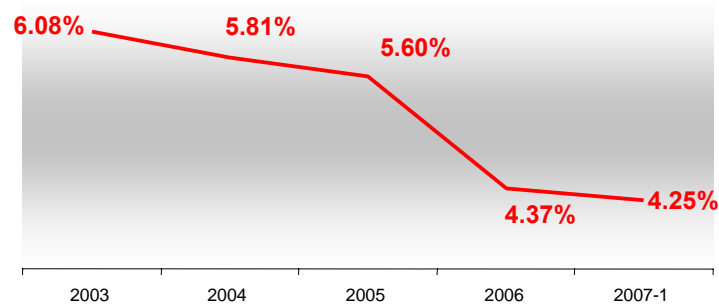


\*Includes developer & other Real Estate activities  
Source: Bank of Spain and T13

## Core Business Growth – Credit Improvement

- Market share in REAL ESTATE ACTIVITIES (\*) of 4.25%, well below Popular's normal market share of 5.5%, means that

MARKET SHARE OF CORPORATE RE SECTOR  
(Total system)  
%



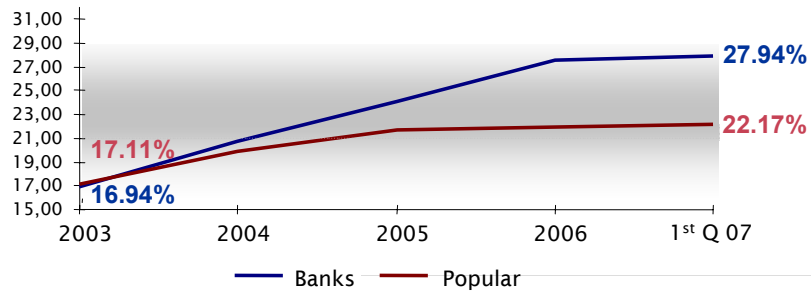
- Popular has much less exposure to developers and other real estate companies than the average of the Spanish banking industry

\*Includes developer & other Real Estate activities  
Source: Bank of Spain and T13

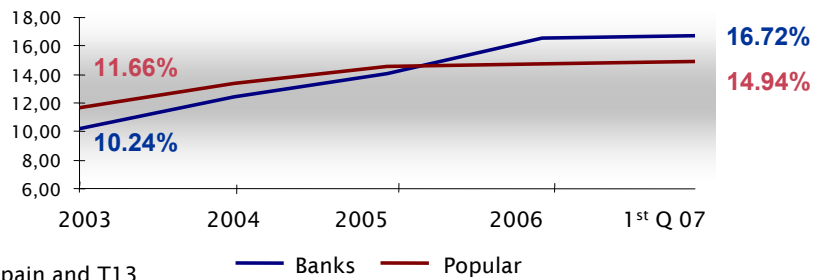


## Core Business Growth – Credit Improvement

CORPORATE REAL ESTATE VOLUME AS A % OF CORPORATE LOANS IN SPAIN



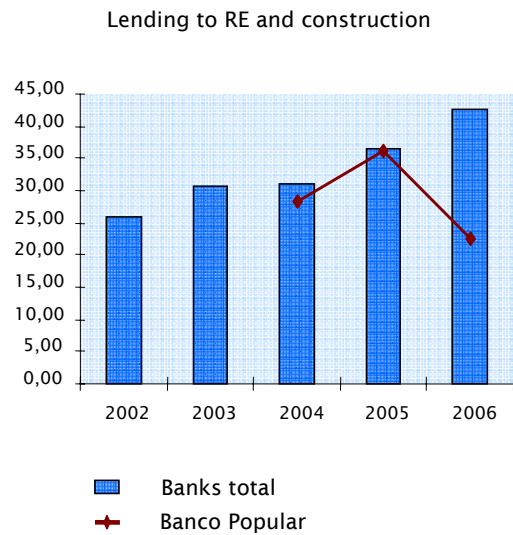
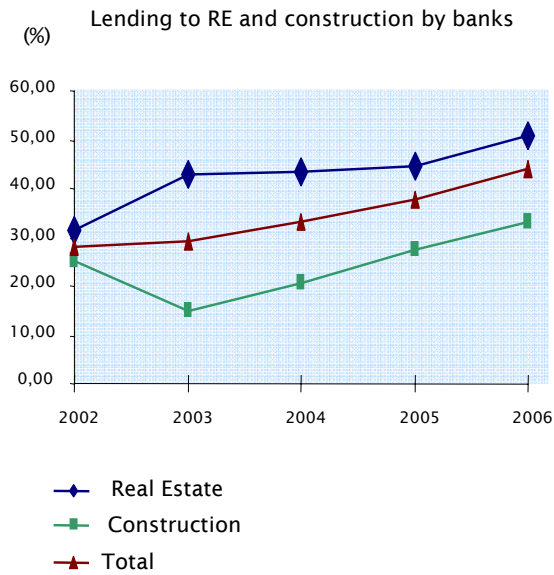
CORPORATE REAL ESTATE VOLUME AS A % OF TOTAL LOANS IN SPAIN



Source: Bank of Spain and T13

# Core Business Growth – Credit Improvement

## LOANS TO REAL ESTATE AND CONSTRUCTION COMPANIES



Annual variation (%)

Source: Bank of Spain and T13

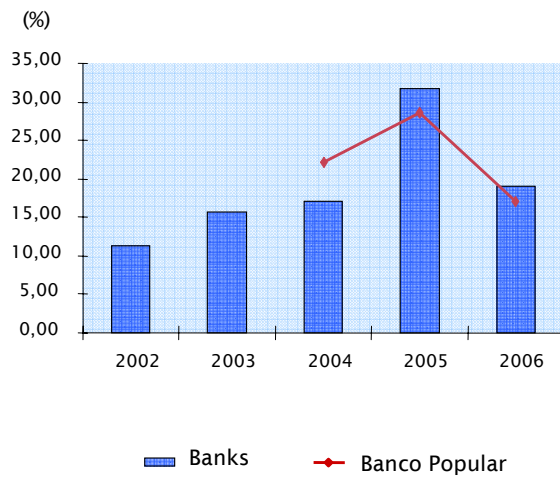
# Core Business Growth – Credit Improvement

## HOUSEHOLD FINANCING

Financing of households by banking sector



Total financing

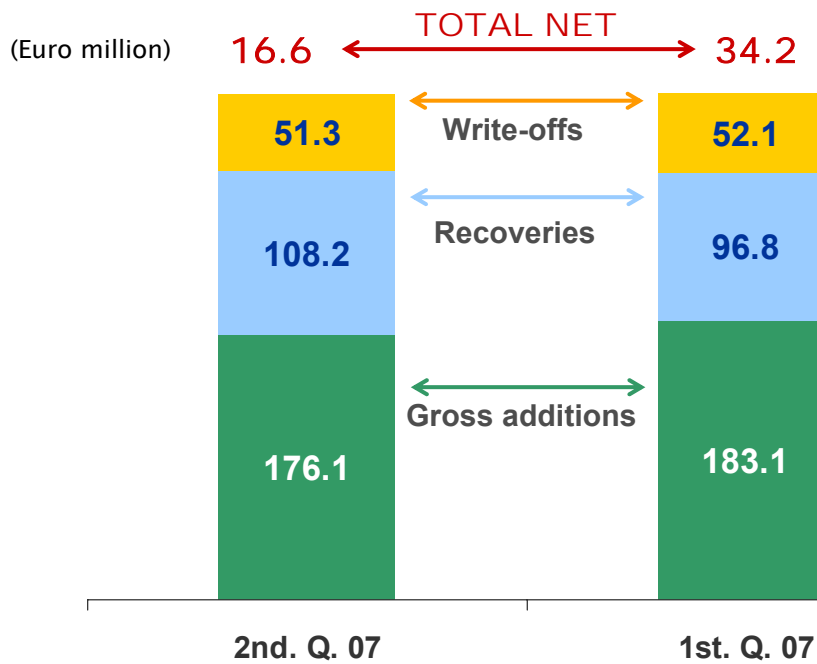


Source: Bank of Spain and T13

Annual variation en (%)

## Core Business Growth – Credit Improvement

- NPL EVOLUTION: Decrease of quarterly NPL additions



## Core Business Growth – Credit Improvement

### ▪ NPLs AND RELATED COVERAGE

(€ Million)	1st. Q. 06	2nd.Q. 06	1st. Q. 07	2nd. Q. 07
<u>NPLs</u>				
Balance	658.9	619.1	669.7	686.3
Net additions	94.0	6.4	86.3	67.9
Writeoffs	-26.2	-46.2	-41.2	-51.3
<b>Net Change</b>	<b>67.8</b>	<b>-39.8</b>	<b>34.2</b>	<b>16.6</b>
<u>COVERAGE</u>				
Balance	1,558.0	1,577.4	1,726.0	1,757.1
Net additions	88.1	19.4	60.8	31.2
Specific	25.3	-6.0	-1.2	-6.8
General	63.9	25.6	62.3	38.1
Country Risk	-1.1	-0.2	-0.2	-0.1

## Core Business Growth – Credit Improvement

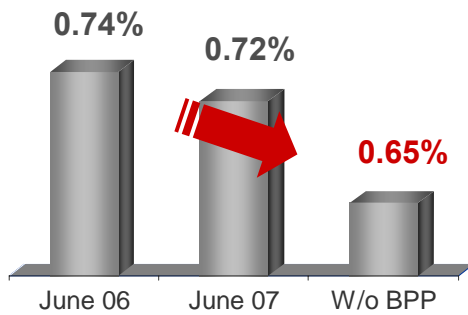
- BANCO POPULAR PORTUGAL

(€ Thousand)

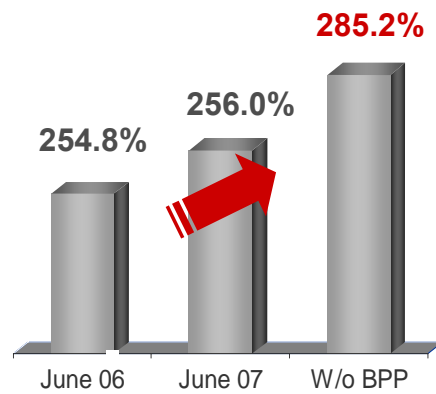
	Year 2006			Year 2007	
	2 Q. 06	3 Q. 06	4 Q. 06	1 Q. 07	2 Q. 07
<b>Total Risks</b>	5,688,072	5,826,283	6,005,737	6,072,975	6,129,348
<b>NPL</b>	92,953	94,942	90,915	103,309	106,130
<b>Coverage</b>	105,499	105,700	109,721	111,542	102,766
<b>Nonperforming risk</b>	1.63%	1.63%	1.51%	1.70%	1.73%
<b>NPR coverage</b>	113.50%	111.33%	120.69%	107.97%	96.83%

## Core Business Growth – Credit Improvement

Nonperforming risk

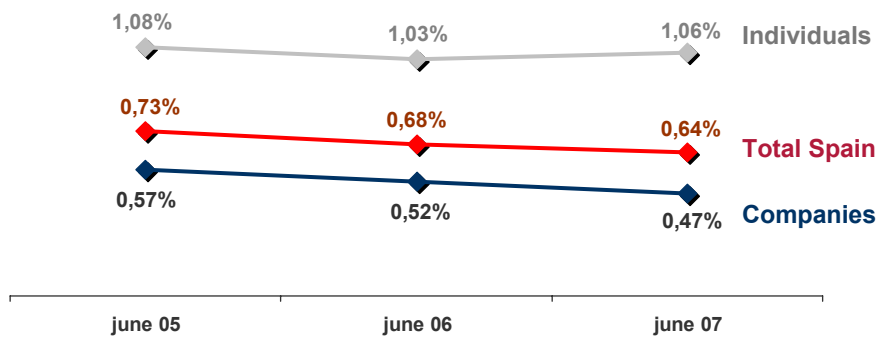


NPR Coverage



## Core Business Growth – Credit Improvement

### EVOLUTION & BREAK DOWN OF NPL RATIO (SPAIN)



**Total NPL Ratio: 0,72% (\*)**

(\*) NPL Ratio of BP Portugal: 1,73%



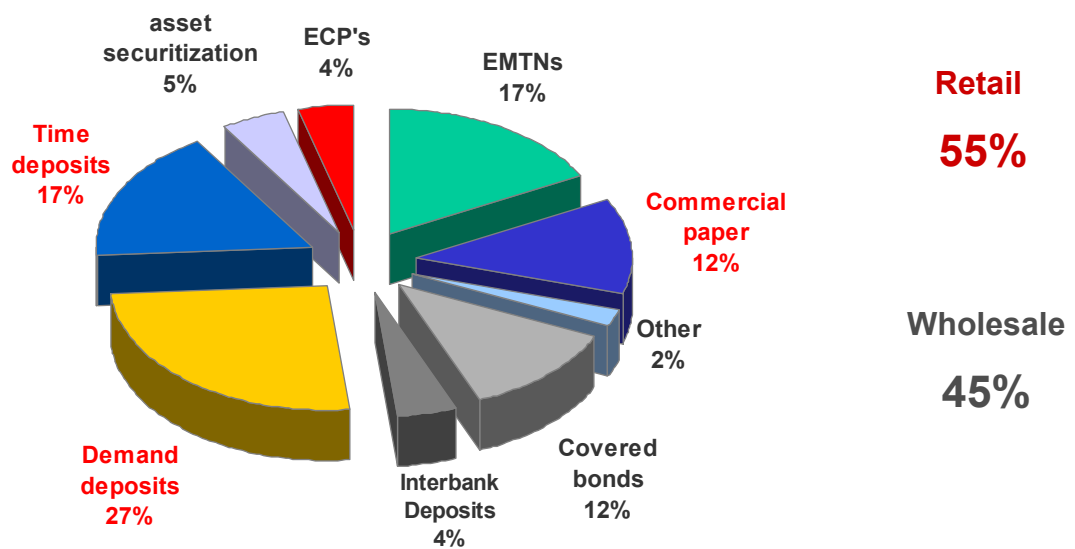
## Core Business Growth

### ■ CORE RESIDENT CUSTOMER FUNDING

<i>(June 2007)</i>	<b>Amount (€ million)</b>	<b>Variation %</b>	<b>% of Total</b>
Demand deposits	16.381, 8	0.14	45.69
Time deposits	9.958,4	2.33	27.78
Commercial paper with clients	9.513,4	36.78	26.53
<b>TOTAL</b>	<b>35.853, 6</b>	<b>8.50</b>	<b>100.00</b>

## Core Business Growth

### ▪ FUNDING BREAK-DOWN



## Core Business Growth

- FUNDS MANAGED

(€ Million )

	June 07	Var. %
<b>On-balance sheet funds</b>	76,079.2	21.9
<b>Other intermediated funds:</b>	18,339.6	10.5
Mutual funds	12,348.5	7.9
Portfolio asset management	1,863.3	25.5
Pension funds	4,127.8	12.6
<b>Total funds managed</b>	94,418.8	19.5

## Core Business Growth

### MUTUAL FUNDS VOLUMES IN 2006 vs. INDUSTRY – SPAIN ONLY –

(€ million)	Net Asset Value			
	June 07	% Change	June 07	June 06
Money market	1,259.9	-18.0	<b>Improvement in market share</b>	
Bonds	3,943.9	17.4	4.58	4.35
<b>Fixed income</b>	<b>5,203.8</b>	<b>6.3</b>		
Equity	1,662.7	29.8		
Balanced	1,092.8	-16.8		
Guaranteed	3,066.3	23.2		
Global	856.7	-12.6		
<b>TOTAL</b>	<b>11,882.3</b>	<b>8.4</b>		
		<b>3.0</b>		

**BANCO POPULAR GROUP\***  
**INDUSTRY**

#### Outperformance due to:

	Popular	Industry
Net Inflows	1.1	-3.5
Management/markets	7.3	6.5

\* Excluding BPP. The total amount including BPP amounts to €12,348.5 million (+7.9%)  
Source: Inverco

## Core Business Growth

### ▪ ASSET PORTFOLIO MANAGEMENT

<i>(€ Million)</i>	June 07	June 06	Change in	
			Amount	%
<b>Discretionary Asset Management</b>				
Popular Gestión Privada	888.9	838.4	50.5	6.0
Banco Popular Portugal	222.7	196.8	25.9	13.2
<b>Subtotal</b>	<b>1,111.6</b>	<b>1,035.2</b>	<b>76.4</b>	<b>7.4</b>
<b>HNWI-SICAV</b>				
Sogeval	33.6	30.8	2.8	9.1
Popular Gestión Privada	718.1	418.9	299.2	71.4
<b>Subtotal</b>	<b>751.7</b>	<b>449.7</b>	<b>302.0</b>	<b>67.1</b>
<b>TOTAL</b>	<b>1,863.3</b>	<b>1,484.9</b>	<b>378.4</b>	<b>25.5</b>

## Core Business Growth

- PENSION ASSETS UNDER MANAGEMENT

(€ Million)	June 07	June 06	Variation	
			Amount	%
Private Plans	3,255.2	2,872.5	382.7	13.3
Corporate Schemes	872.6	792.4	80.2	10.1
Group employees	665.9	625.8	40.1	6.4
<b>TOTAL</b>	<b>4,127.8</b>	<b>3,664.9</b>	<b>462.9</b>	<b>12.6</b>



- ▶ **Core business growth**

- ▶ **Strong Customer Acquisition**

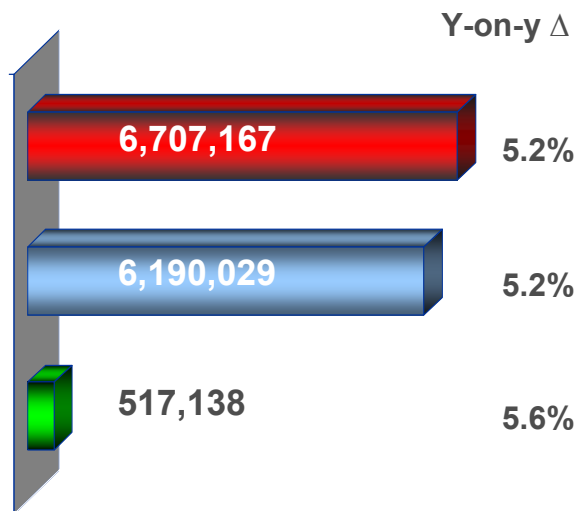
- ▶ **Branch Network Expansion**

- ▶ **Earnings**

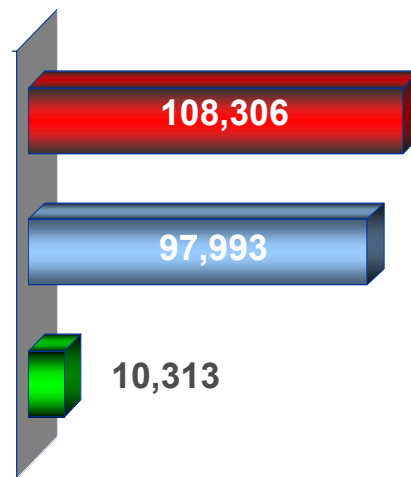
- ▶ **Banco Popular Portugal**

## Strong Customer Acquisition

### TOTAL



### NEW (2007)



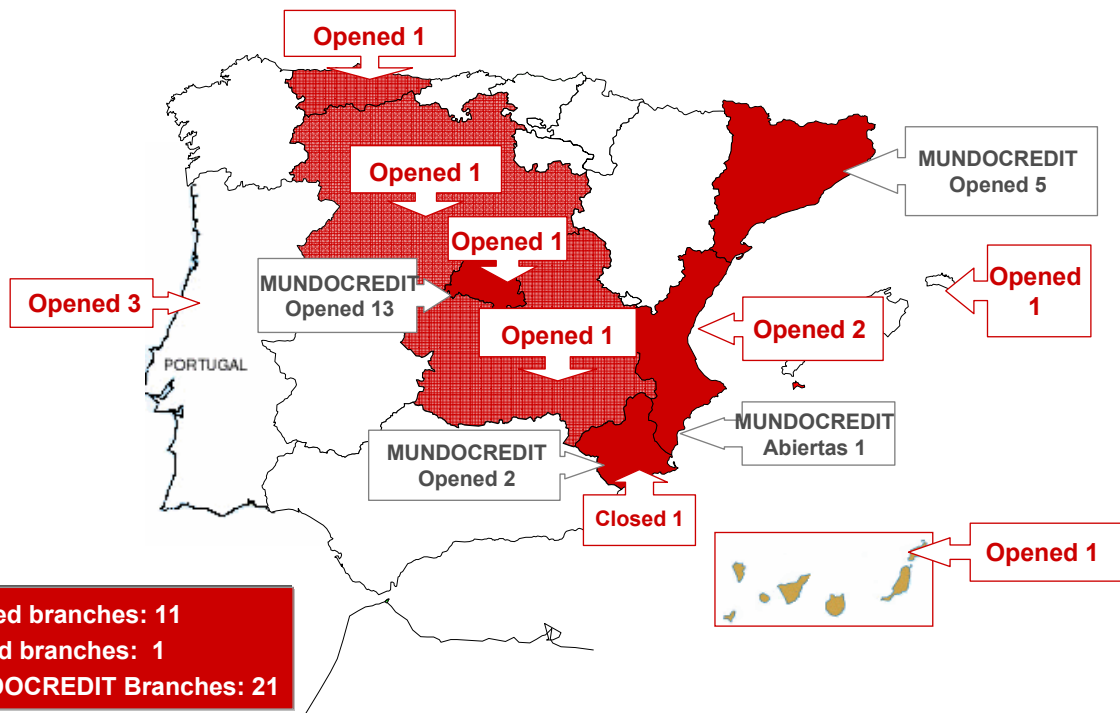
■ Total ■ Individuals ■ Corporate



- 
- ▶ **Core business growth**
  - ▶ **Strong Customer Acquisition**
  - ▶ **Branch Network Expansion**
  - ▶ **Earnings**
  - ▶ **Banco Popular Portugal**

## Branch Network Expansion

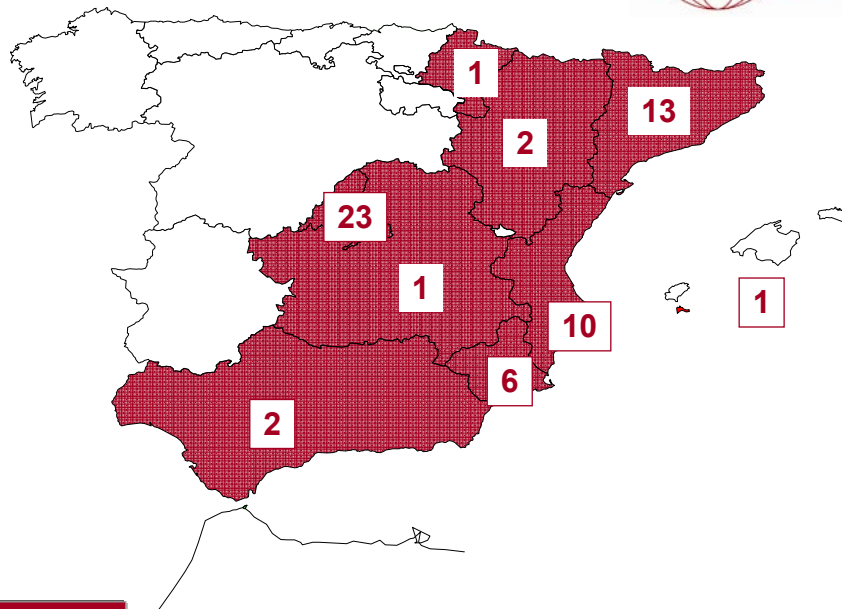
- NETWORK ADJUSTMENTS THROUGH JUNE 2007



April - May - June 2007

## Branch Network Expansion

- EXPANSION PLAN DECEMBER 2007



**TOTAL: 59 branches**

April - May - June 2007

- 27 -

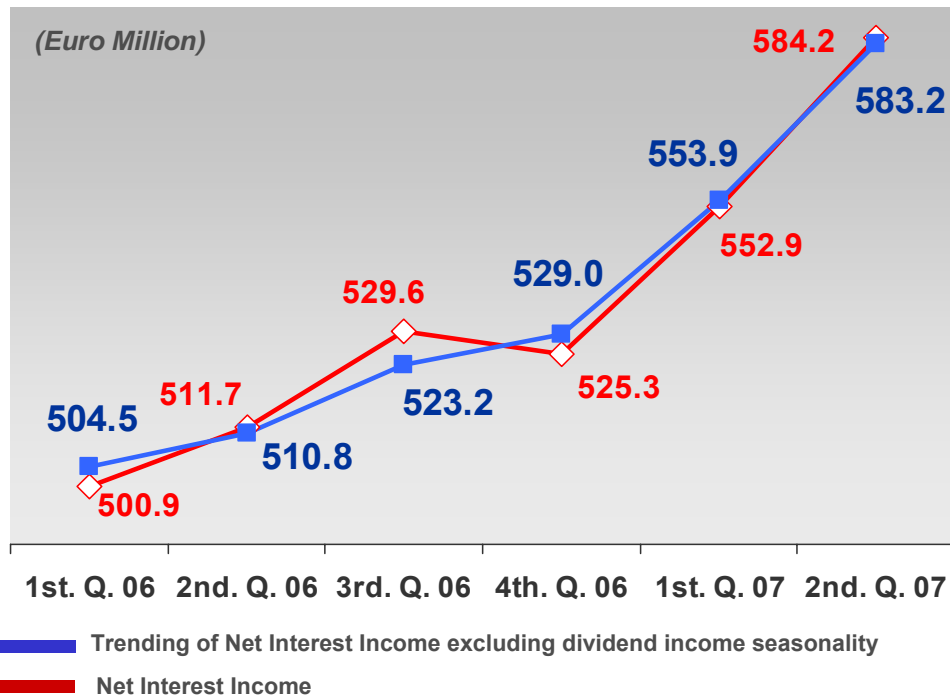
- 
- ▶ **Core business growth**
  - ▶ **Strong Customer Acquisition**
  - ▶ **Branch Network Expansion**
  - ▶ **Earnings**
  - ▶ **Banco Popular Portugal**

## Earnings

<i>(€ Million)</i>	<i>June 2007</i>	<i>△ y-on-y %</i>
<b>Net interest revenue</b>	<b>1,137.0</b>	<b>12.3</b>
Revenues from equity method entities	3.4	>
Net fees	443.1	5.9
Insurance business	26.8	41.7
Asset trading	48.5	352.4
Exchange gains (net)	24.6	4.2
<b>Gross Income</b>	<b>1,683.4</b>	<b>13.2</b>
<b>Operating cost</b>	<b>505.3</b>	<b>5.3</b>
Personnel expenses	366.0	6.9
Other general administrative expenses	167.9	1.2
<b>Net Operating Income</b>	<b>1,127.1</b>	<b>18.2</b>
<b>Profit Before Taxes</b>	<b>947.9</b>	<b>14.8</b>
Corporate income tax provision	297.6	8.9
<b>Consolidated profit for the period</b>	<b>650.3</b>	<b>17.8</b>
Income attributed to minority interests	37.4	9.2
<b>Profit attributed to the Group</b>	<b>613.0</b>	<b>18.4</b>

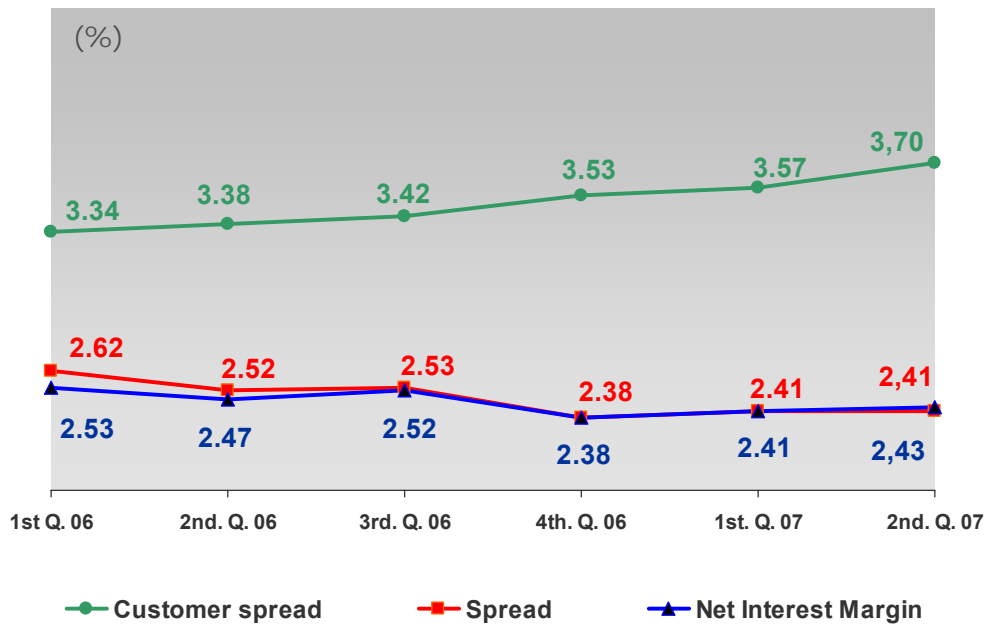
# Earnings

## NET INTEREST REVENUE



# Earnings

## NET INTEREST MARGIN & SPREAD



## Earnings

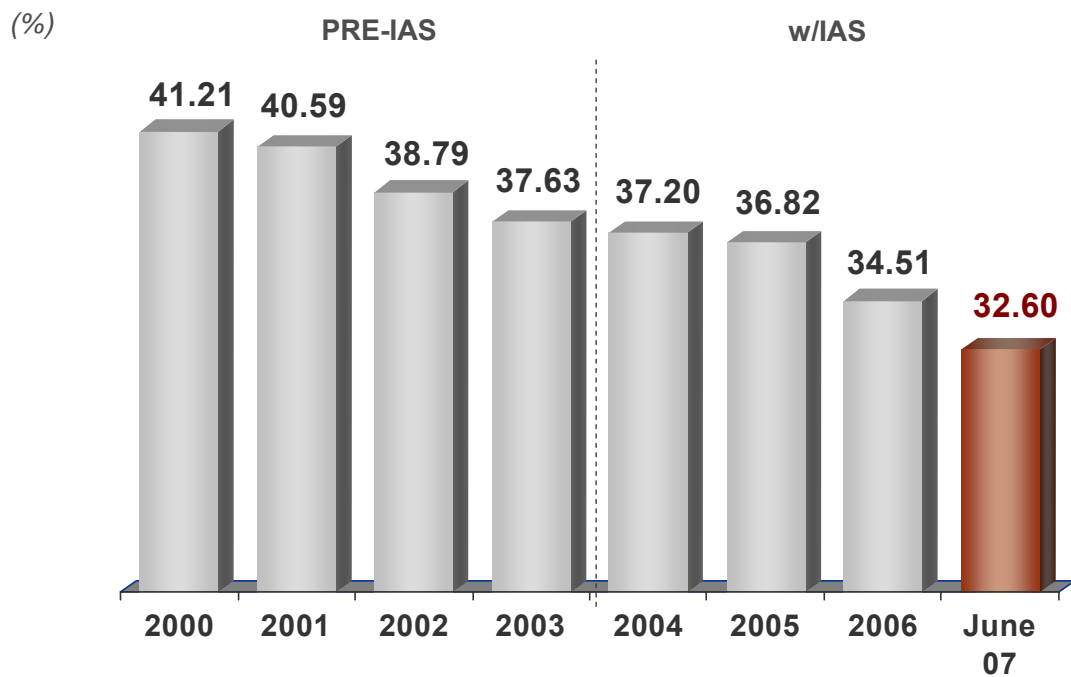
- FEE & COMMISSION INCOME

<i>June 2007</i>	<b>Year-on-year (%)</b>	<b>As % of total fees</b>
<b>Loan-related fees:</b>	6.7	11.7
Bill discounting	5.9	5.3
Other	7.3	6.4
<b>Fees from guarantees</b>	11.7	14.0
<b>Collection &amp; card-related</b>	-7.1	24.9
<b>Forex &amp; securities dealing</b>	29.8	3.1
<b>Customer financial asset mgt:</b>	8.8	28.0
Securities portfolio	10.7	3.6
Mutual funds & pension plans	8.5	24.4
<b>Account mgt. fees and other</b>	14.3	18.3
<b>TOTAL</b>	5.9	100.0



## Earnings

### ■ COST/INCOME RATIO EVOLUTION



## Earnings

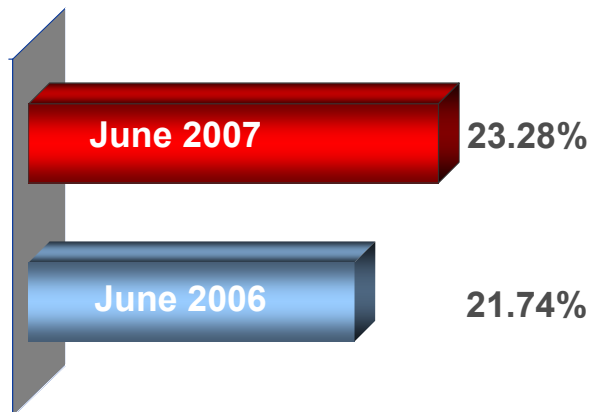
### ▪ NON-PAYROLL EXPENSES

<i>(€ Thousand)</i>	<b>Jun. 07</b>	<b>Jun. 06</b>	<b>% variation</b>
<b>General Expenses</b>	<b>167,881</b>	<b>165,853</b>	<b>1,2</b>
ComunesRents and common services	27,027	25,459	6.2
Communications	12,854	15,979	-19.6
Maintenance of premises & equipment	11,765	11,852	-0.7
IT and other technical expenses	36,566	33,303	9.8
Office supplies	4,136	3,461	19.5
Technical reports and legal expenses	7,587	5,182	46.4
Advertising	16,121	22,381	-28.0
Insurance	2,328	2,611	-10.8
Security and fund transport services	9,359	9,362	-
Travel	6,297	6,073	3.7
Property taxes, VAT and other	24,040	21,500	11.8
Other general expenses	9,801	8,690	12.8

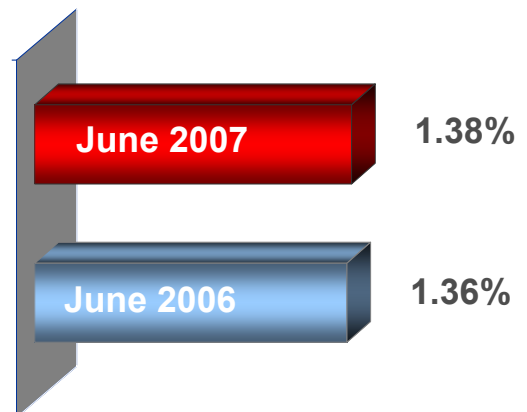
## Earnings

- PROFITABILITY

### ROE

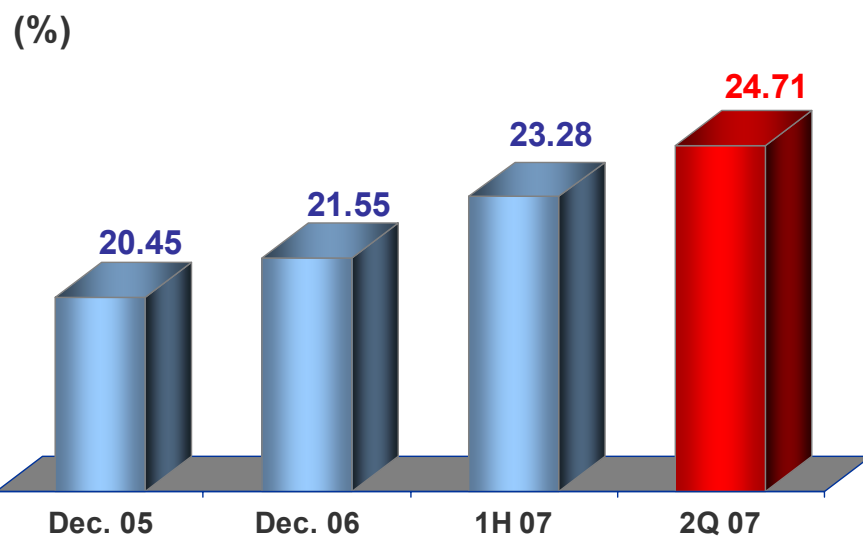


### ROA



## Earnings

- ROE EVOLUTION



## Earnings

### ▪ SECTOR COMPARISON; RETURN & EFFICIENCY

#### ROA

<b>Banco Popular</b>	
<b>June 07</b>	<b>1.38 %</b>

<b>Ave. Banks Dec. 06: 1.13%</b>
<b>Ave. Savings Banks Dec. 06: 1.01%</b>

#### Cost/Income Ratio \*

<b>Banco Popular</b>	
<b>June 07</b>	<b>32.60 %</b>

<b>Ave. Banks Dec. 06: 41.54%</b>
<b>Ave. Savings Banks Dec. 06: 41.09%</b>

Consolidated data  
\* Cost base excludes depreciation  
Source: AEB & CECA

## Earnings

### ▪ SOLVENCY

(€ Million)

	<i>June 07</i>	<i>June 06</i>
<b>Total core capital</b>	5,519.2 <b>6.59%</b>	4,960.6 <b>6.52%</b>
<b>Total Tier I Capital</b>	6,807.2 <b>8.13%</b>	5,948.6 <b>7.81%</b>
<b>Total Tier 2 Capital</b>	1,493.6 <b>1.79%</b>	1,444.7 <b>1.90%</b>
<b>BIS computable capital</b>	8,300.7 <b>9.92%</b>	7,393.3 <b>9.71%</b>
<b>Total BIS risk weighted assets</b>	<b>83,713.6</b>	<b>76,121.0</b>

- 
- ▶ **Core business growth**
  - ▶ **Strong Customer Acquisition**
  - ▶ **Branch Network Expansion**
  - ▶ **Earnings**

▶ **Banco Popular Portugal**

## Banco Popular Portugal

### ▪ P&L ACCOUNT

(€ Thousand)	June 07	June 06	Δ%
Net interest revenue	85,771	76,920	+ 11.5
Fees for services	21,174	18,372	+ 15.3
Ordinary revenue	105,179	97,007	+ 8.4
Operating cost	43,051	38,461	+ 11.9
Depreciation	5,059	5,213	- 3.0
Operating income	57,069	53,332	+ 7.0
Net income	28,133	23,561	+ 19.4



## Banco Popular Portugal

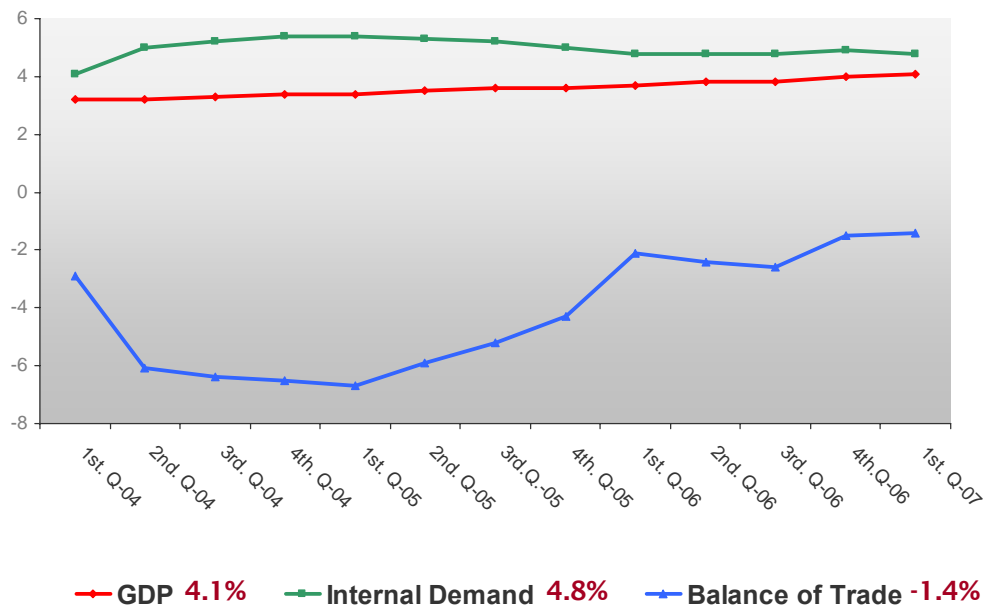
### MAJOR BALANCE SHEET ITEMS

(€ Million)	June 2007	June 2006	Δ%
Loans	6.098	5.559	+ 9.7
Total assets	7.720	6.580	+ 17.3
Customer deposits	3.250	2.815	+ 15.5
Interbank deposits	3.002	2.683	+ 11.9
Subordinated funding	300	296	+ 1.7
Equity	463	387	+ 19.5
Total liabilities and equity	7720	6.580	+ 17.3



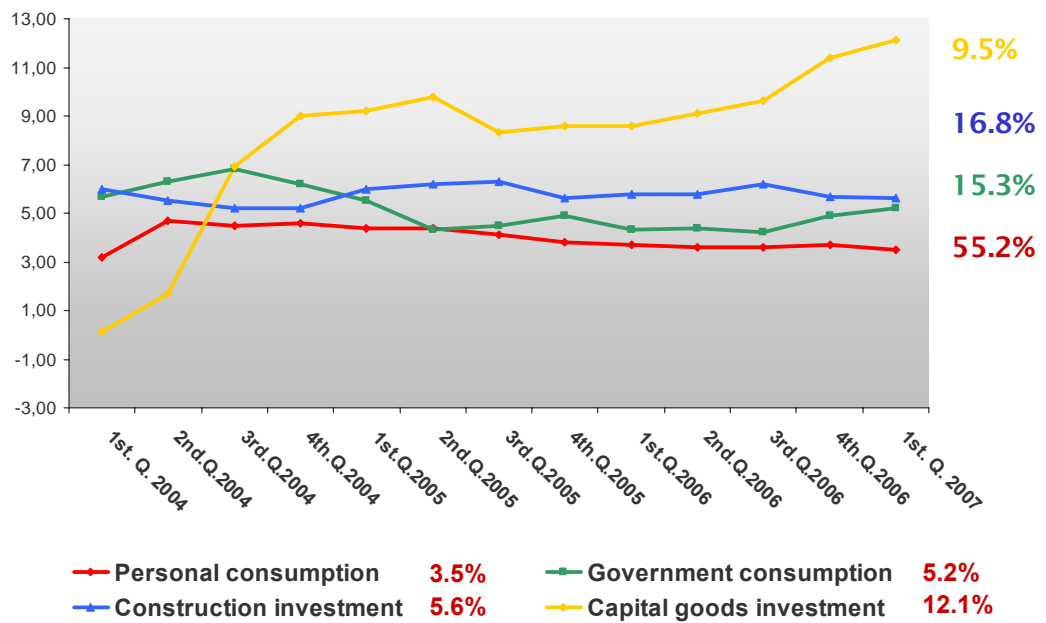
# **ANNEX**

## Macroeconomic Parameters in Spain



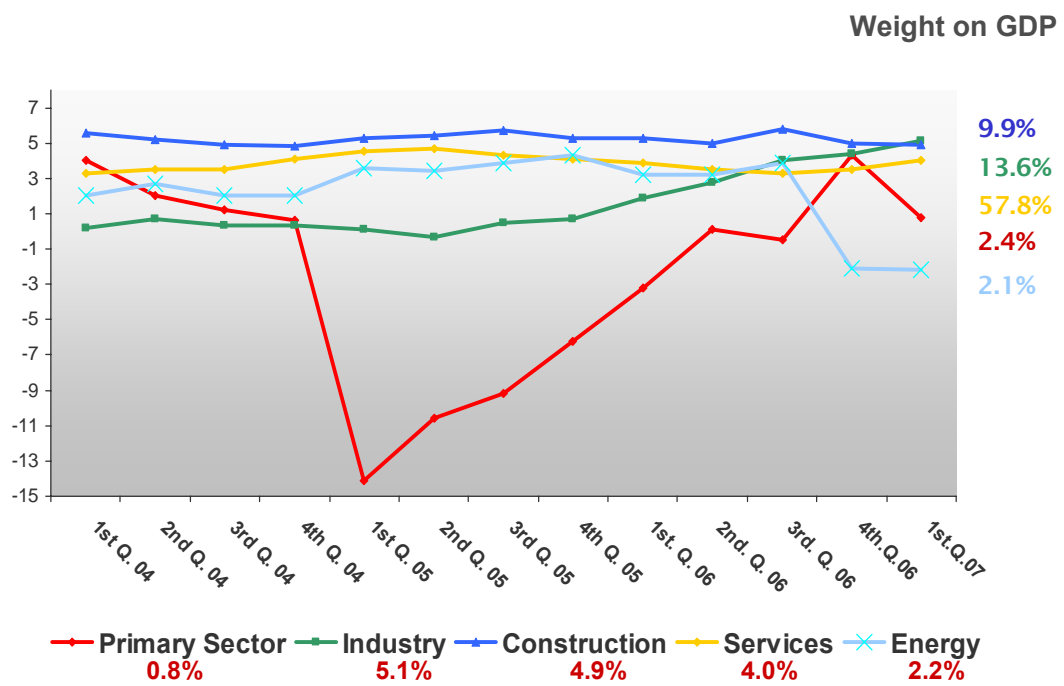
Source: INE

## Macroeconomic Parameters in Spain



Source: INE

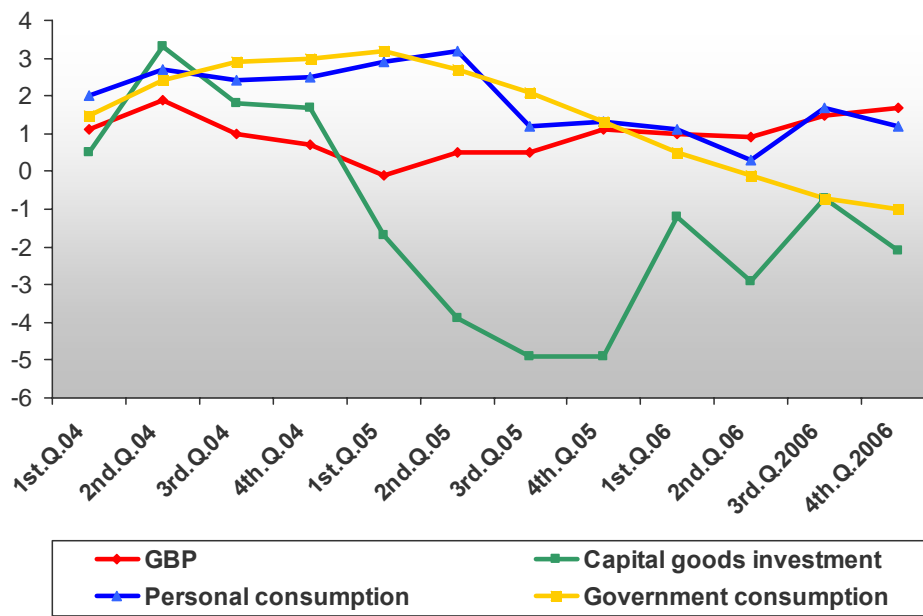
# Macroeconomic Parameters in Spain



Source: INE

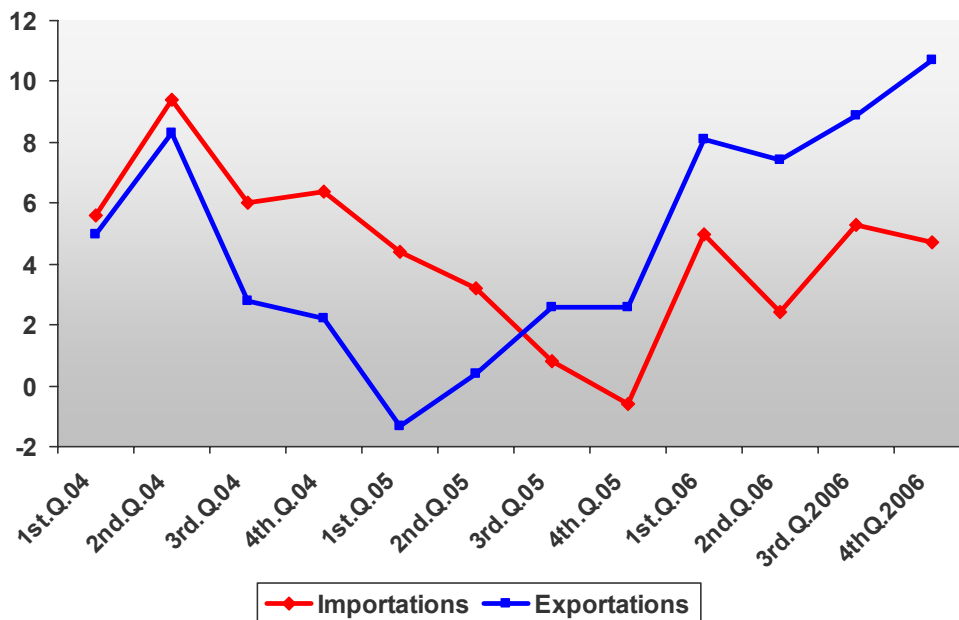
## Macroeconomic Parameters in Portugal

### INTERNAL DEMAND COMPONENTS IN PORTUGAL (%)



## Macroeconomic Parameters in Portugal

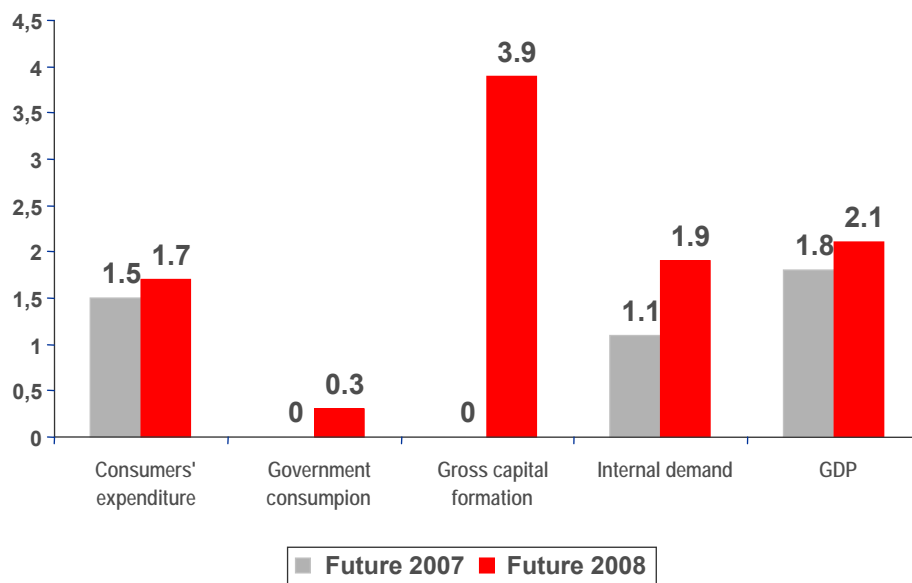
### ■ NATIONAL TRADE ACCOUNT (QUARTERLY 2000 BASE)



Sources: Banco de Portugal / Boletín estadístico March 2007 e Instituto Nacional de Estadística Portugal

## Macroeconomic Parameters in Portugal

### ■ GDP: EXPECTED TREND (%)



Source: Banco de Portugal / Boletín económico March 2007



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Banco de Crédito Balear  
Banco de Galicia  
Banco de Vasconia**

**Banco Popular Portugal  
Banco Popular France  
Banco Popular Hipotecario  
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