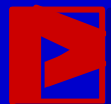


Banco Popular

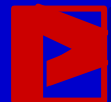
2002: GROWTH WITH CONTROL

January 2002



CONTENT

- 1 STRATEGY FOR 2002**
- 2 THREATS ON 2002**
- 3 MEDIUM TERM PERSPECTIVE**



STRATEGY

MAIN GOALS

Gain MARKET SHARE

Gain CUSTOMERS

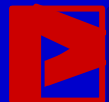
Boost FEE INCOME

OBJECTIVES

Outperform competitors

Build up medium term future

Launch new activities



STRATEGY

COMPLEMENTARY GOALS

- 1 Maintain credit quality
- 2 Increase cross-selling
- 3 Reduce cost of funding
- 4 Reduce overhead cost
- 5 Increase productivity

OBJECTIVES

Basic tenet of Popular

Increase customer stickiness

Increase the bank's spread

Optimize cost/income ratio

Optimize cost/income ratio

STRATEGY: Gain market share

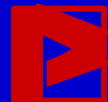
(As of September 30, 2001)

PAST PERFORMANCE PER PRODUCT

	Market share		Market share
Bill discounting	11.4	Pension funds*	7.6
Mortgage loans	3.7	Mutual funds	3.2
Personal loans & overdrafts	4.2	Debit cards	15.2 (**)
Leasing	9.6	Credit cards	16.0 (**)
Factoring	6.8	ATMs	6.5 (e)

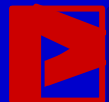
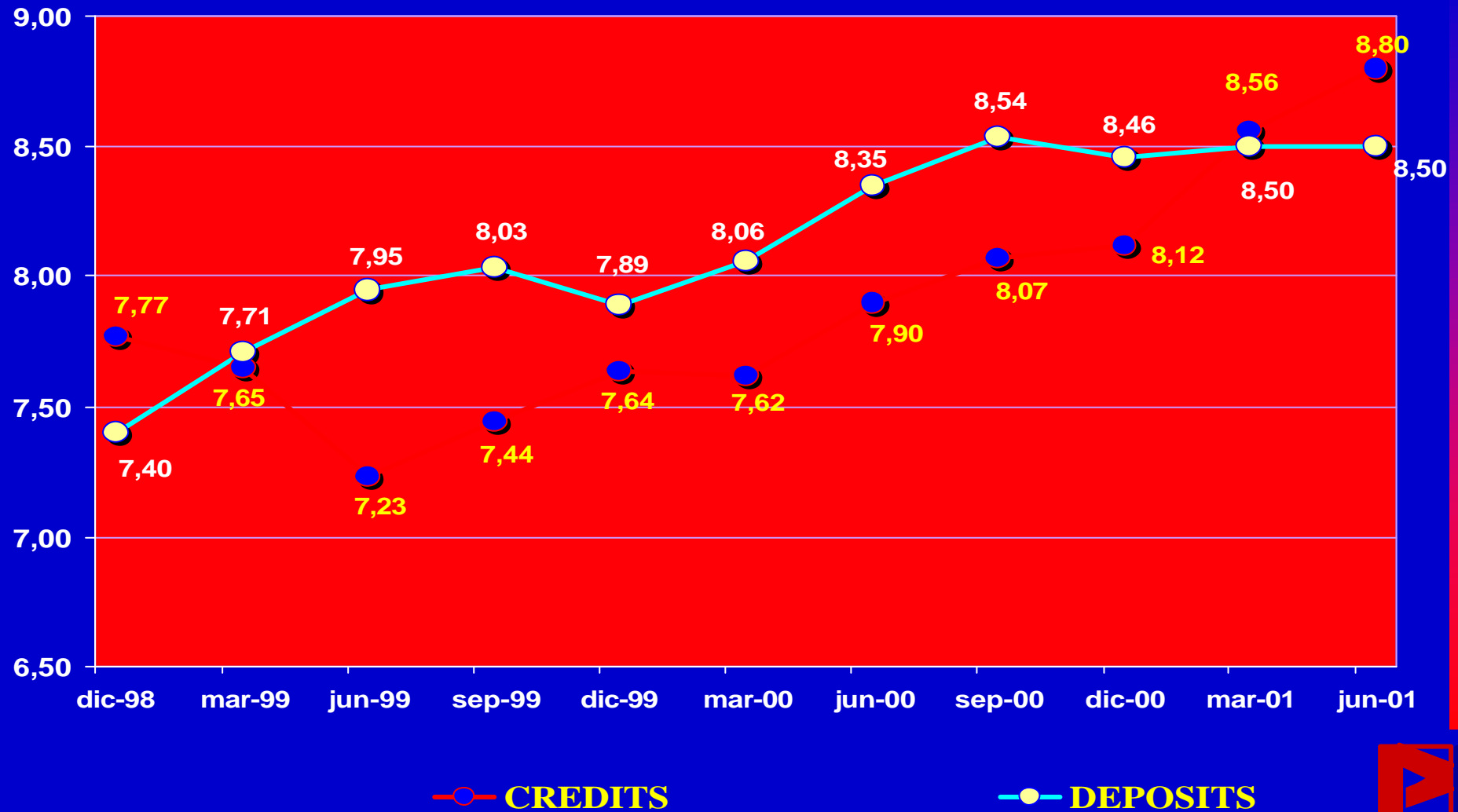
(*) Assets in private/individual accounts

(**) As % of 4B system



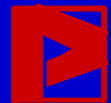
STRATEGY: Gain market share

MARKET SHARE ON COMMERCIAL BANKS



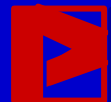
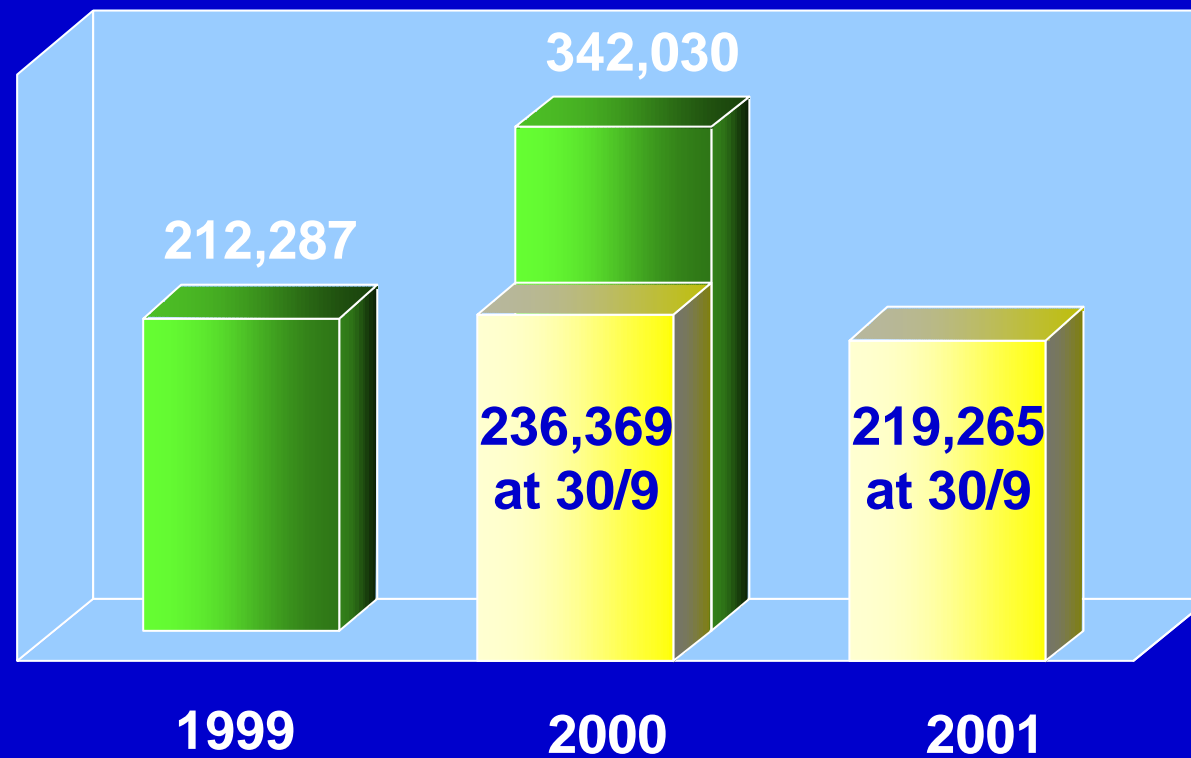
STRATEGY: Gain market share

AMONG COMMERCIAL BANKS



STRATEGY: Gain CUSTOMERS

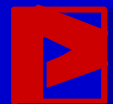
NET NEW CLIENTS



STRATEGY: Gain CUSTOMERS

NEW CUSTOMERS TARGET 2002:

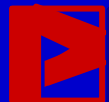
+8%



STRATEGY: Boost fee income

LINES OF DEVELOPMENT

- 1 Expand credit and debit cards
- 2 Expand Popular's own affinity cards
- 3 Consolidate ATM's network
- 4 Launch mass affluent and personal banking
- 5 Boost asset management market share



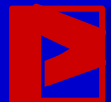
STRATEGY: Boost fee income

PAST PERFORMANCE

(As of September 30, 2001)

	Growth rate
Pension funds*	20.4
Mutual funds	(17.0)
Debit cards	14.7
Credit cards	18.7
Private & Fuel cards	54.9
ATMs	12.2

(*) Assets in private/individual accounts



STRATEGY: Development

MAINTAIN GROWTH SPREE THROUGH:

- ➔ Enhanced performance follow up
- ➔ Closer focus on affinity groups of customers
- ➔ Expansion of means of payments
- ➔ Weekly regional and global promotional campaigns
- ➔ Reshaping network of financial agents
- ➔ Further expansion of e-banking as channel
- ➔ Launching new private bank and new personal banking network

STRATEGY: Development

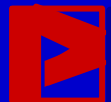
VERY CLOSE FOLLOW UP

DAILY TARGETS:

Customer num.	Leasing
Current accounts	Debit cards
Mutual funds	Credit cards
Mortgage loans	Pension funds
Consumer loans	Life insurances

MONTHLY TARGETS:

Others

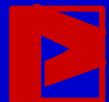


STRATEGY: Development

FURTHER PROMOTION OF AFFINITY GROUPS:

Indicative trends as of Autumn 2001

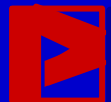
Number of customers	+ 13.3%
Customer deposits	+ 10.2%
Loans	+ 46.2%
Means of payment	+ 30.0%



STRATEGY: Development

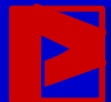
MEANS OF PAYMENT

	<u>2002 targets</u>
New credit cards:	
Installment financing	50.000 units
Debit and credit cards	29 %
Other affinity cards	25 %
Petrol cards	16 %



THREATS ON 2002

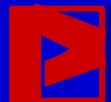
- **Pressure on margins from lower interest rates**
- **Lower growth due to GDP slowdown**



THREATS ON 2002: INTEREST RATES

SCENARIO

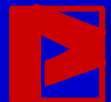
- Further decreases should be small or null in Euroland
- Markets anticipate increases of up to 50 b.p. in 2nd. half year



THREATS ON 2002: INTEREST RATES

EFFECT ON POPULAR'S P&L

- Downwards repricing: of 2001 decreases
- Upwards repricing: small and displaced to 2003

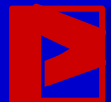


THREATS ON 2002: INTEREST RATES

Mitigating factors of downward interest-rate pressure

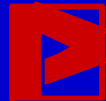
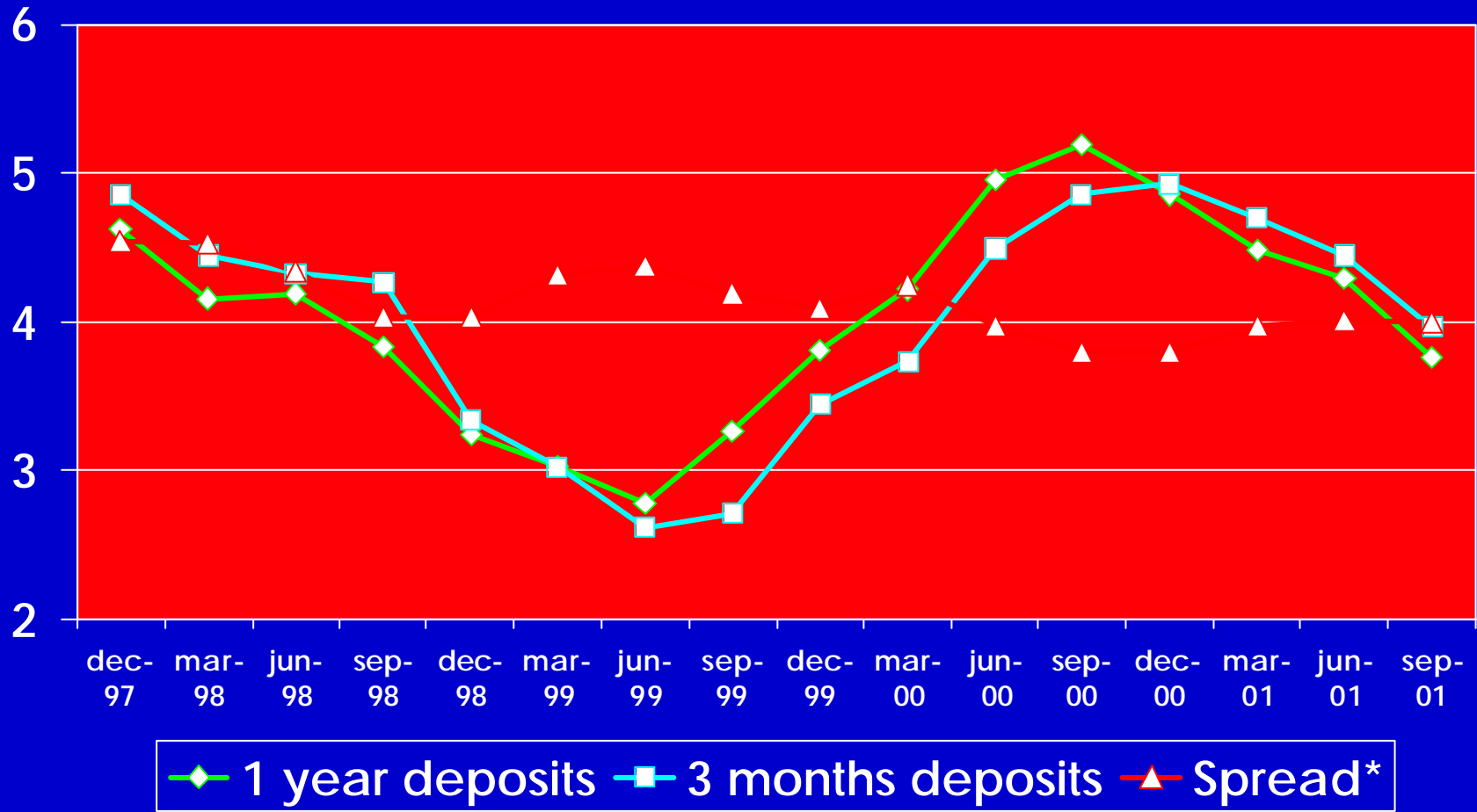
UPTRENDING ELEMENTS

- 1 Diminishing margin sensitivity to interest rates
- 2 New reference rates: minor effect now
- 3 Enlarged spreads on loans



THREATS ON 2002: INTEREST RATES

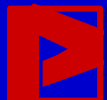
POPULAR'S SPREAD VS. RATES



THREATS ON 2002: INTEREST RATES

EFFECT ON YIELDS AND COSTS

	From Base To	Dec 99/ Sep 00	Dec 99/ Dec 00	Dec 99/ Mar 01	Dec 99/ Jun 01	Dec 99/ Sep 01
Bill discounting		0.89	1.27	1.20	1.00	0.96
Mortgages		0.49	0.82	1.12	1.25	1.25
Consumer		0.69	1.02	1.16	1.17	0.95
Overdrafts		0.80	1.14	1.28	1.26	1.17
Leasing		0.40	0.80	0.96	1.02	0.98
TOTAL		0.65	0.99	1.14	1.16	1.09
Demand Deposits		0.15	0.32	0.34	0.26	0.31
Time Deposits		1.01	1.45	1.59	1.59	1.44
Commercial Paper		1.14	1.46	1.23	0.99	0.58
TOTAL		0.62	0.97	1.13	1.08	1.05
Difference		0.03	0.02	0.01	0.08	0.04



THREATS ON 2002: INTEREST RATES

SENSITIVITY TO INTEREST RATES

For an 100 bpts. Interest Rates Move

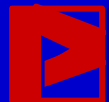


Net Interest Revenue Sensitivity* \pm Euros 26.0 million



\pm 1.32 % Total Revenues

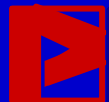
$$* (PV_a * (1 - DUR_a)) - (PV_l * (1 - DUR_l))$$



THREATS ON 2002: INTEREST RATES

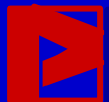
ENLARGING SPREADS

- Widening on 2nd. half 2001:
Can we repeat it on 2002 ?
- Lighter pressure on customer spreads
from competitors ?



THREATS ON 2002: GDP SLOWDOWN

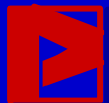
- Our Spanish GDP growth estimate:
+1.8% to +2.4%
- Our loan growth estimate for the Spanish banking sector
+6% to +10%



THREATS ON 2002: GDP SLOWDOWN

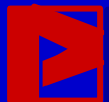
LOAN GROWTH SCENARIO FOR BPE:

10 - 15 %



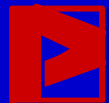
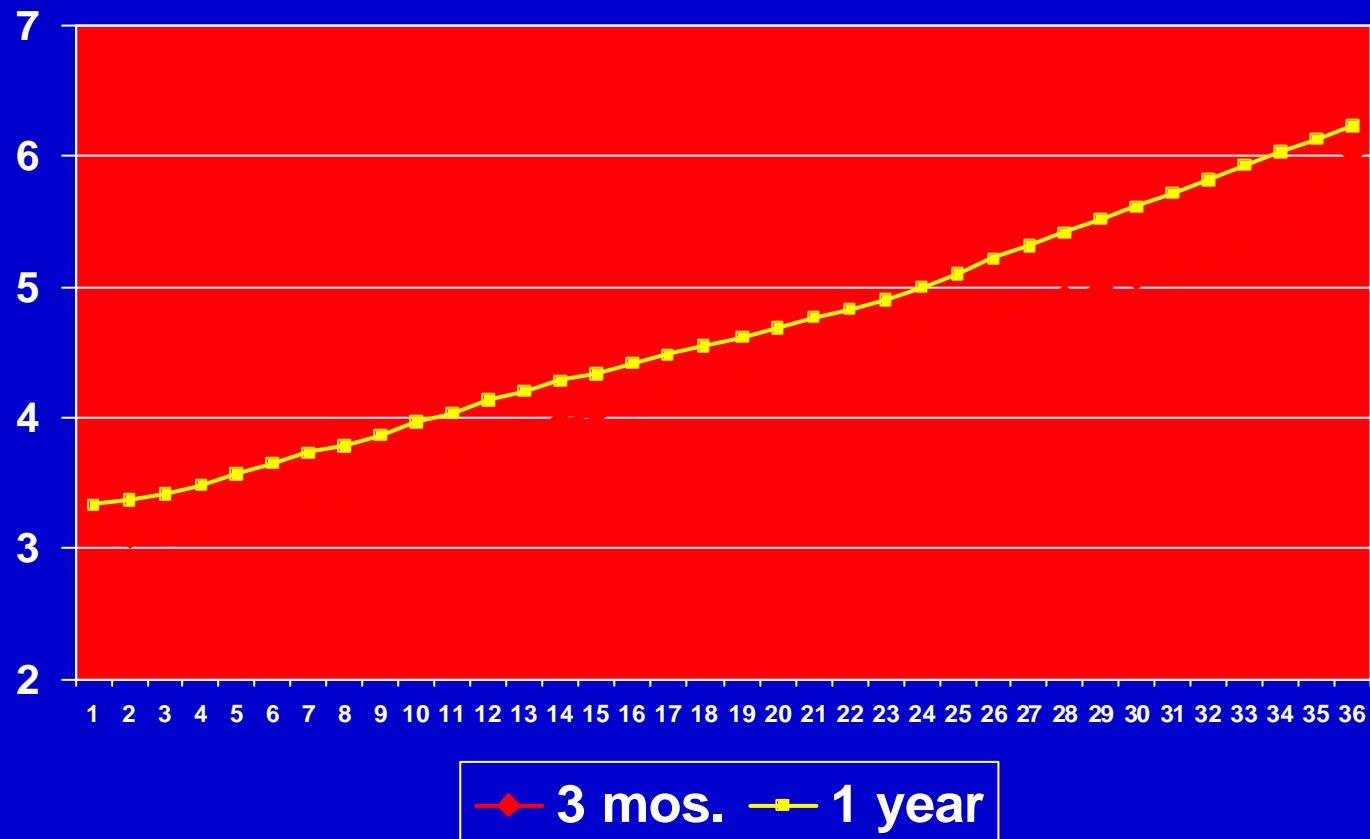
MEDIUM TERM PERSPECTIVE

- **Boost from rising interest rates**
- **Boost from economic recovery**
- **Mutual funds growth**
- **Consolidation of personal banking**



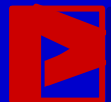
MEDIUM TERM PERSPECTIVE

CURVES OF IMPLICIT INTEREST RATES



MEDIUM TERM PERSPECTIVE

- **Easing conditions for the P&L**
- **Additional growth through acquisitions**



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