



# Banco Popular Group

LEVERAGING OPERATING PROFIT

ANNUAL RESULTS 2006

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## Two milestones:



➡ **Surpassed the 3 –year Suma Plan targets**

➡ **Carried out a change of strategy:**

**Strengthening profitability and equity**

**Anticipating the change in the property cycle**

## NET INCOME ATTRIBUTABLE



**Target in 2003 -3 year program: 1,000 million €**

**Real figure: 1,026 million €**

**Proforma ex –new corporate tax effect: 1,085 million €**

## CHANGE IN STRATEGY: Higher profitability & Equity

➔ **ADDITIONAL MOMENTUM IN OPERATING PROFIT: +16.8%**

➔ **CORE CAPITAL INCREASE IN SPITE OF FAST LENDING GROWTH:**

6.74% in 2006

VS.

6.68% in 2005

## ANTICIPATING THE CHANGE IN PROPERTY CYCLE

**Mortgage loans growth: 16.2%**

**Unsecured loans & overdrafts (\*): 22.6%**

(\* Private sector)

## FINANCIAL RESULTS

## ▶ Core business growth

▶ Strong Customer Acquisition

▶ Branch Network Expansion

▶ Earnings

▶ Banco Popular Portugal



# CORE BUSINESS GROWTH

ANNUAL  
RESULTS  
2006

*(Euro million)*

	<b>31.12.06</b>	<b>Var %</b>
<b>Total assets managed</b>	<b>109,307</b>	<b>17.5</b>
<b>On-balance sheet total assets</b>	<b>91,650</b>	<b>18.0</b>
<b>Total equity</b>	<b>5,529</b>	<b>10.8</b>
<b>Funds managed:</b>	<b>91,158</b>	<b>24.2</b>
<b>On-balance sheet funds</b>	<b>73,501</b>	<b>26.6</b>
<b>Other intermediated funds</b>	<b>17,657</b>	<b>15.1</b>
<b>Lending to customers (gross)</b>	<b>77,328</b>	<b>16.6</b>
<b>Contingent risks</b>	<b>11,281</b>	<b>17.4</b>
<b>Customers (thousands)</b>	<b>6,599</b>	<b>7.1</b>
<b>Employees</b>	<b>14,056</b>	<b>1.8</b>
<b>Branches</b>	<b>2,443</b>	<b>2.4</b>

# CORE BUSINESS GROWTH

ANNUAL  
RESULTS  
2006

## ▶ MAJOR LOAN CATEGORIES (\*)

*(Accumulated % change)*

	Growth rate <i>December 06</i>	% of total loans
Bill discounting	12.5	9.8
Mortgage loans	16.2	54.8
Loans & overdrafts	20.9	30.7
Leasing	6.1	4.7
<b>TOTAL</b>	<b>16.7</b>	<b>100.0</b>

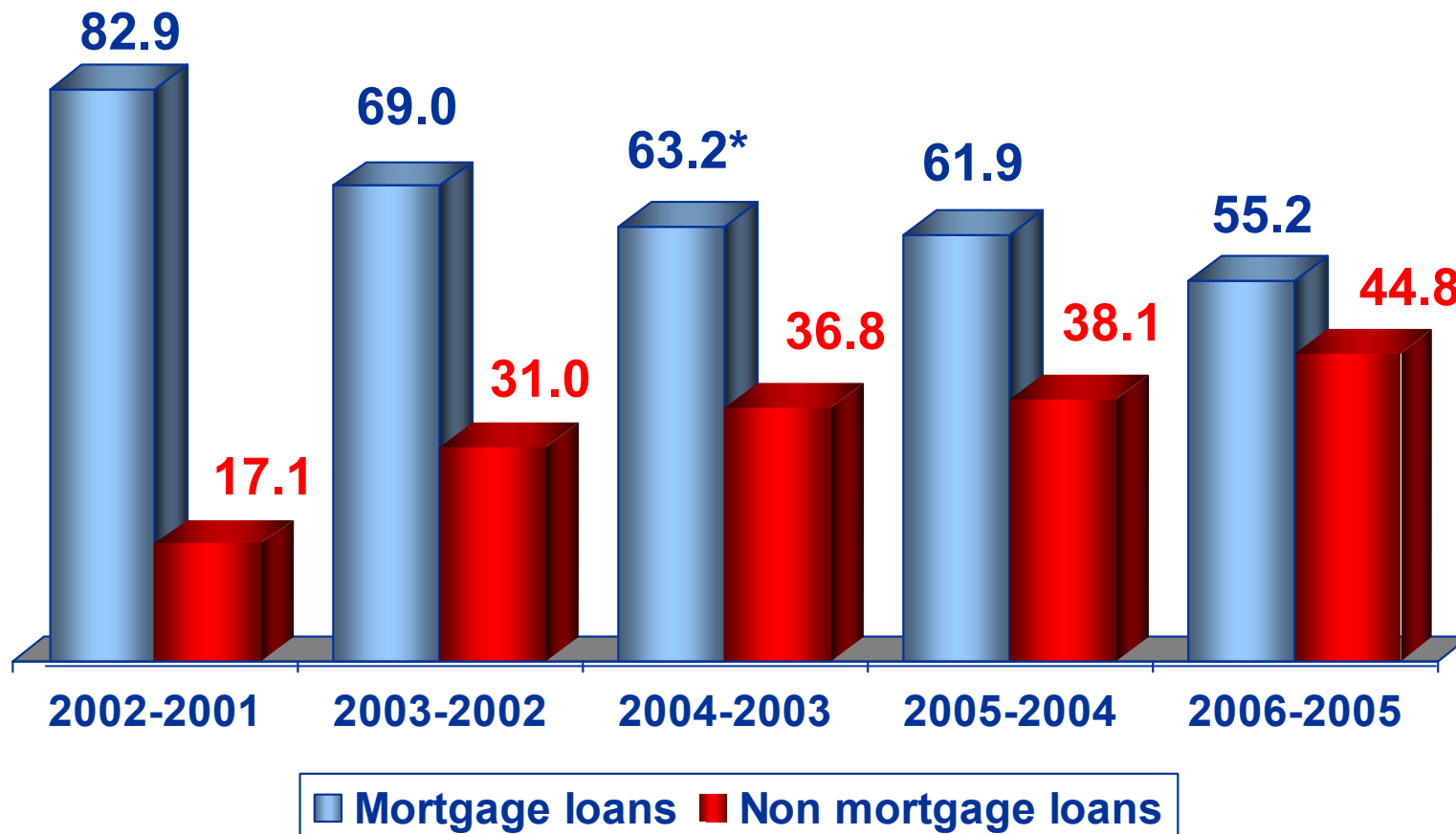
(\*) All loans except NPLs & Repos

# CORE BUSINESS GROWTH

ANNUAL  
RESULTS  
2006

## ► GROWTH

(%)



\* Adjusted for securitization

# CORE BUSINESS GROWTH – Risk management

ANNUAL  
RESULTS  
2006

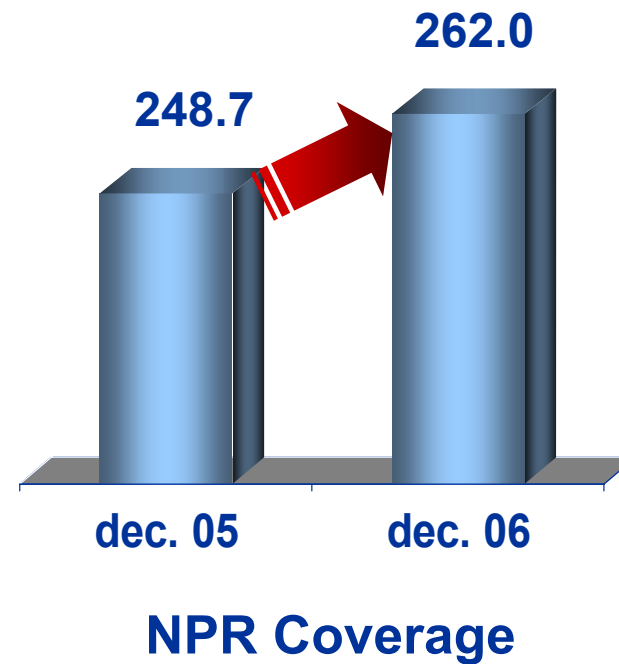
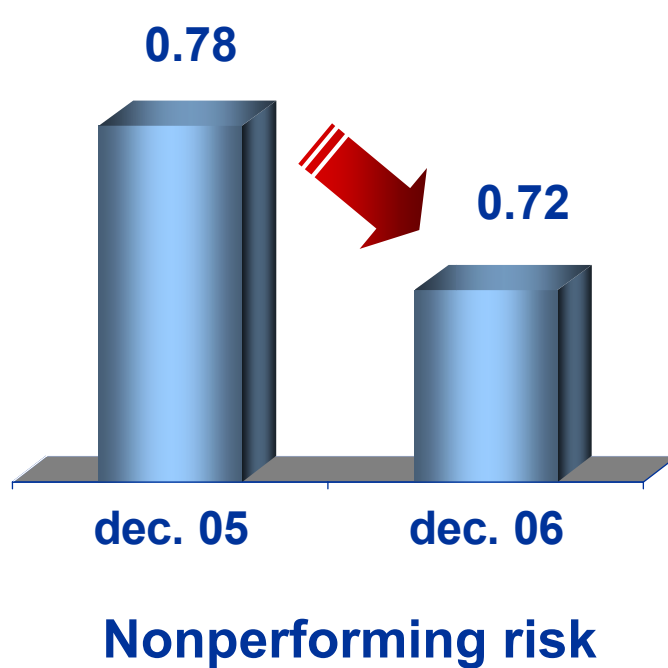
## ► NPLs AND RELATED COVERAGE

(Euro Million)

	31.12.05	1st. Q. 06	2nd. Q. 06	3rd. Q. 06	4th. Q. 06	31.12.06
<b>NPLs</b>						
Balance	591.0					635.5
Net additions		94.0	6.4	64.3	55.2	
Writeoffs		-26.2	-46.2	-55.1	-47.9	
Net change		67.8	-39.8	9.2	7.3	
<b>COVERAGE</b>						
Balance	1,469.9					1,665.1
Net additions		88.1	19.4	19.3	68.4	
Specific	218.7	25.3	-6.0	-14.1	4.8	228.7
General	1,244.5	63.9	25.6	32.4	65.3	1,431.7
Country Risk	6.7	-1.1	-0.2	1.0	-1.7	4.7

# CORE BUSINESS GROWTH – Improved asset quality

ANNUAL  
RESULTS  
2006

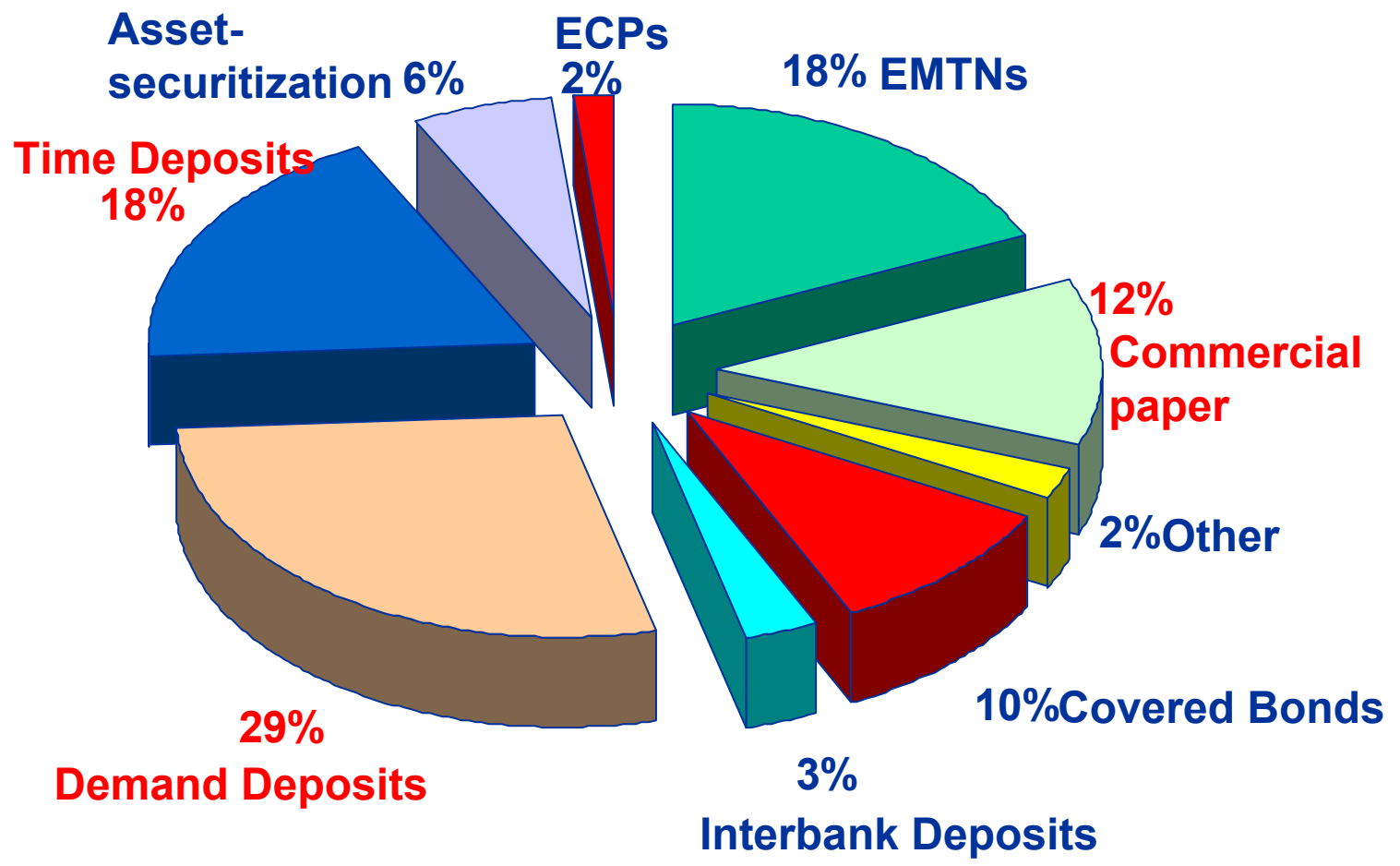


## ▶ TOTAL CUSTOMER FUNDING

(December 31, 2006)

	<i>Amount (€ million)</i>	<i>Δ %</i>	<i>% of total</i>
<b>Demand deposits</b>	<b>16,048.9</b>	<b>4.8</b>	<b>45.6</b>
<b>Time deposits</b>	<b>10,261.7</b>	<b>-4.6</b>	<b>29.2</b>
<b>Commercial paper with clients</b>	<b>8,869.2</b>	<b>44.9</b>	<b>25.2</b>
<b>TOTAL</b>	<b>35,179.8</b>	<b>10.0</b>	<b>100.0</b>

## ► FUNDING BREAK-DOWN



**Retail**  
**59%**

**Wholesale**  
**41%**

## ► FUNDS MANAGED

*(Euro Million)*

	31.12.06	% variation
<b>On-balance sheet funds</b>	<b>73,501</b>	<b>26.6</b>
<b>Other intermediated funds:</b>		
<b>Mutual funds</b>	<b>12,131</b>	<b>15.2</b>
<b>Portfolio asset management</b>	<b>1,550</b>	<b>24.3</b>
<b>Pension funds</b>	<b>3,976</b>	<b>11.6</b>
<b>Total</b>	<b>17,657</b>	<b>15.1</b>
<b>Total funds managed</b>	<b>91,158</b>	<b>24.2</b>



# CORE BUSINESS GROWTH

ANNUAL  
RESULTS  
2006

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

	Net Asset Value	
	Dec. 06(€ million)	% change
Money Market	1,412.2	-13.5
Bonds	3,898.1	27.1
<b>Fixed income</b>	<b>5,310.3</b>	<b>13.0</b>
Equity	1,524.4	18.4
Balanced	1,265.4	17.3
Guaranteed	2,711.9	6.6
Global	846.6	50.1
<b>TOTAL</b>	<b>11,658.6</b>	<b>14.6</b>
		<b>3.4</b>

← BANCO POPULAR GROUP \*  
← INDUSTRY

**Outperformance  
due to:**

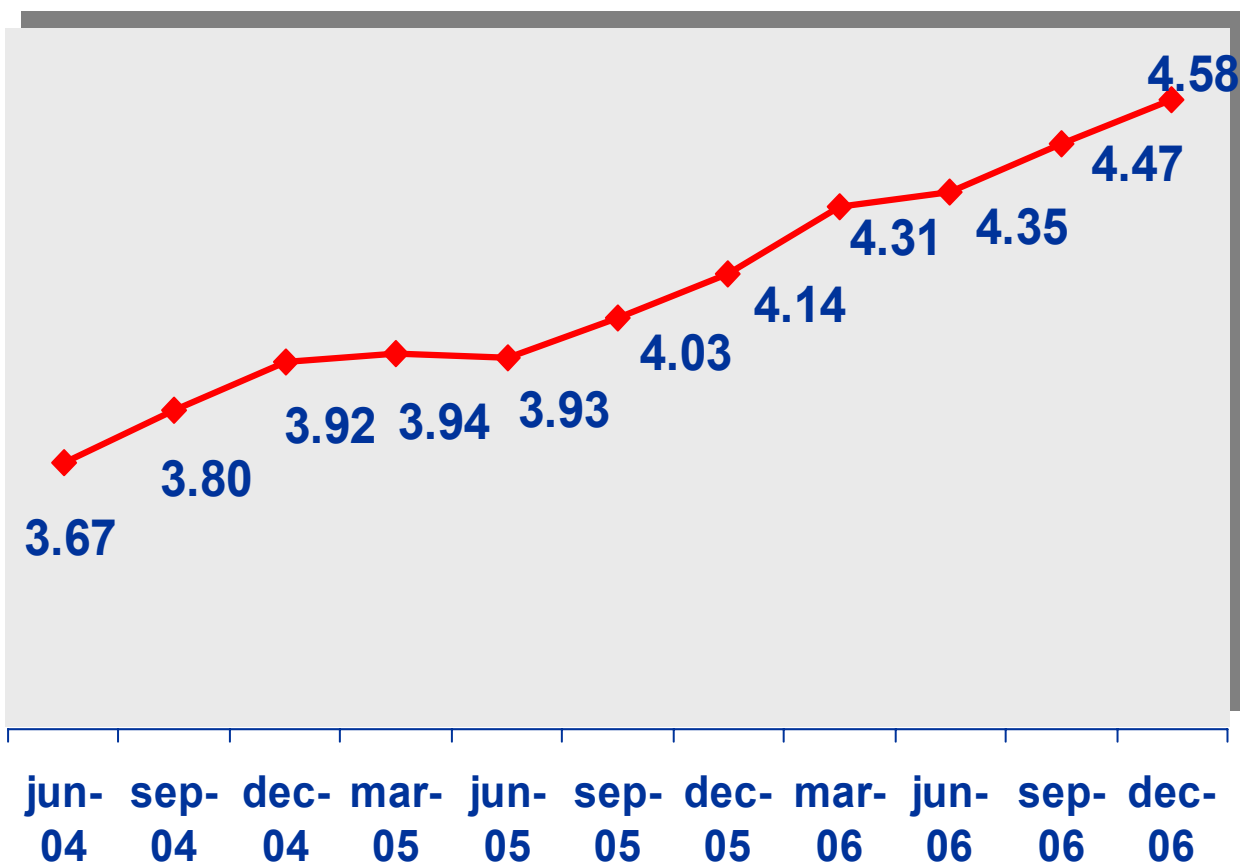
	POPULAR	INDUSTRY
Net Inflows	8.2%	-1.0%
Management / Markets	6.4%	4.4%

	Dec. 06	Dec. 05
Improvement in market share	4.58%	4.14%

\* Excluding BPP. The total amount including BPP amounts to €12,131 million (+15.2%)

## ▶ MARKET SHARE PERFORMANCE BANCO POPULAR GROUP

(%)



Source: Inverco


## ▶ ASSET PORTFOLIO MANAGEMENT

(Euro Thousand)

	Dec. 06	Dec. 05	Change in	
			Amount	%
<b>Discretionary Asset Management</b>				
Popular Gestión Privada	803,896	682,317	121,579	17.82
Banco Popular Portugal	218,106	189,518	28,588	15.08
<b>Subtotal</b>	<b>1,022,002</b>	<b>871,835</b>	<b>150,167</b>	<b>17.22</b>
<b>HNWI-SICAV</b>				
Sogeval	33,108	30,872	2,236	7.24
Popular Gestión Privada	494,931	344,650	150,281	43.60
<b>Subtotal</b>	<b>528,039</b>	<b>375,522</b>	<b>152,517</b>	<b>40.61</b>
<b>TOTAL</b>	<b>1,550,041</b>	<b>1,247,357</b>	<b>302,684</b>	<b>24.27</b>

## ▶ PENSION ASSETS UNDER MANAGEMENT

*(Euro Thousand)*

	Dec. 06	Dec. 05	Change in	
			Amounts	%
Private Plans	3,133,589	2,818,617	314,972	11.17
 Corporate Schemes	842,330	743,496	98,834	13.29
Group employees	639,367	593,693	45,674	7.69
<b>TOTAL</b>	<b>3,975,919</b>	<b>3,562,113</b>	<b>413,806</b>	<b>11.62</b>

▶ **Core business growth**

▶ **Strong Customer Acquisition**

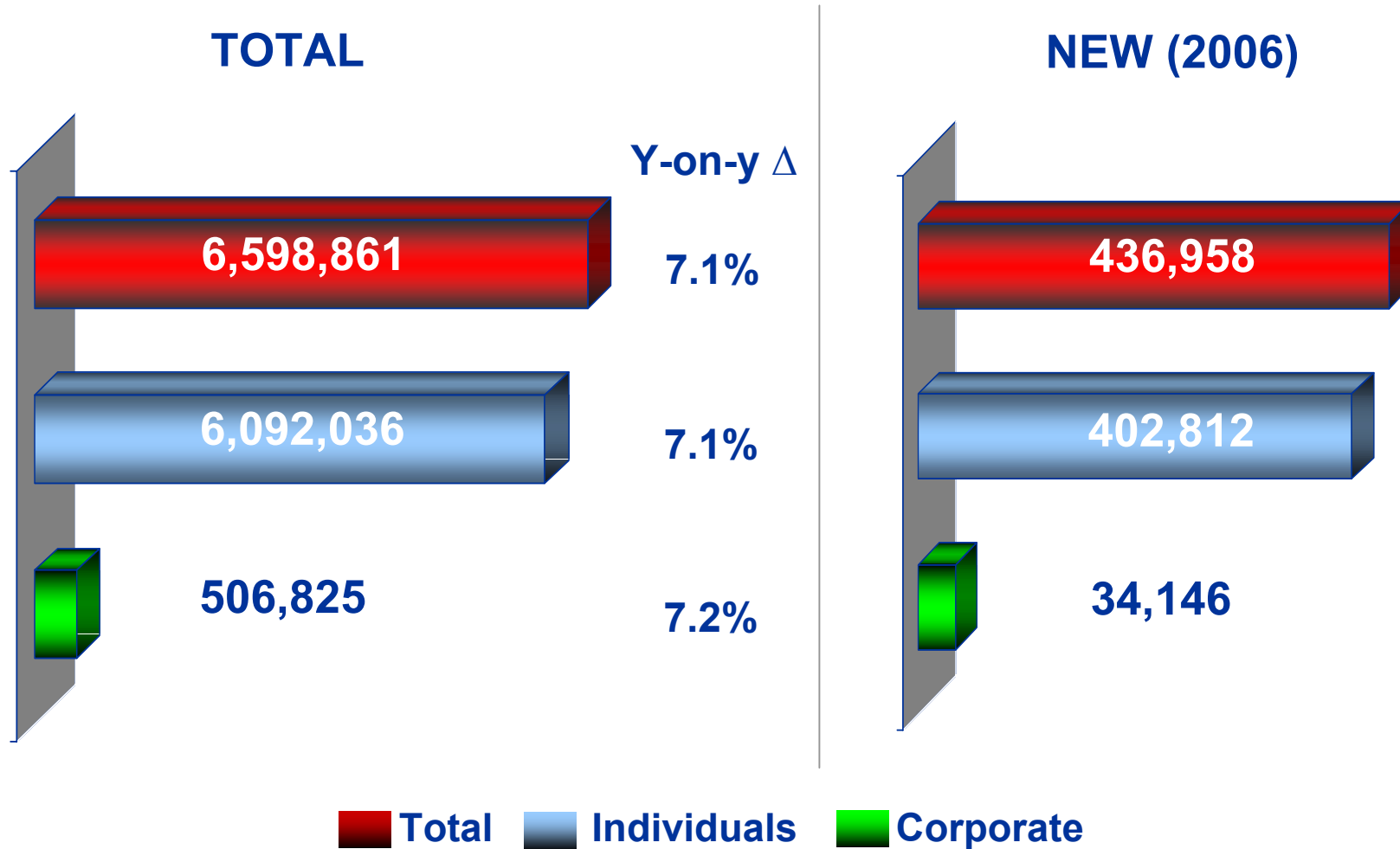
▶ **Branch Network Expansion**

▶ **Earnings**

▶ **Banco Popular Portugal**

# STRONG CUSTOMER ACQUISITION

ANNUAL  
RESULTS  
2006



# STRONG CUSTOMER ACQUISITION

ANNUAL  
RESULTS  
2006

## ► COMMERCIAL PERFORMANCE

	31.12.06	31.12.05	Variation	
			Absolute	%
<b>Total number of customers (000)</b>	<b>6,599</b>	<b>6,162</b>	<b>437</b>	<b>7.1</b>
Individuals	6,092	5,689	403	7.1
Corporates	507	473	34	7.2
<b>Internet customers</b>				
<i><b>Bank-on-line</b></i>				
Number of customers (000)	2,275	1,991	284	14.3
Individuals	1,985	1,731	254	14.7
Corporates	290	260	30	11.6
<i><b>Bancopopular-e</b></i>				
Number of customers (000)	1.060	826	234	28.3
<b>Productivity (products sold per employee in the commercial network)</b>	<b>321.0</b>	<b>321.8</b>	<b>-0.8</b>	<b>-0.2</b>
<b>Cross-selling (Products per customer)</b>	<b>3.36</b>	<b>3.29</b>	<b>0.07</b>	<b>2.1</b>

# STRONG CUSTOMER ACQUISITION

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2006

## ► EXPLOIT NEW CUSTOMER POTENTIAL

### Total linked clients "Spain"

December 2004 .....	1,750,644
September 2005 .....	1,922,001
December 2005 .....	1,965,277
September 2006 .....	2,130,375
<b>December 2006 .....</b>	<b>2,175,328</b>

More than 45,000  
clients linked  
each quarter

y-on-y  
10.7%

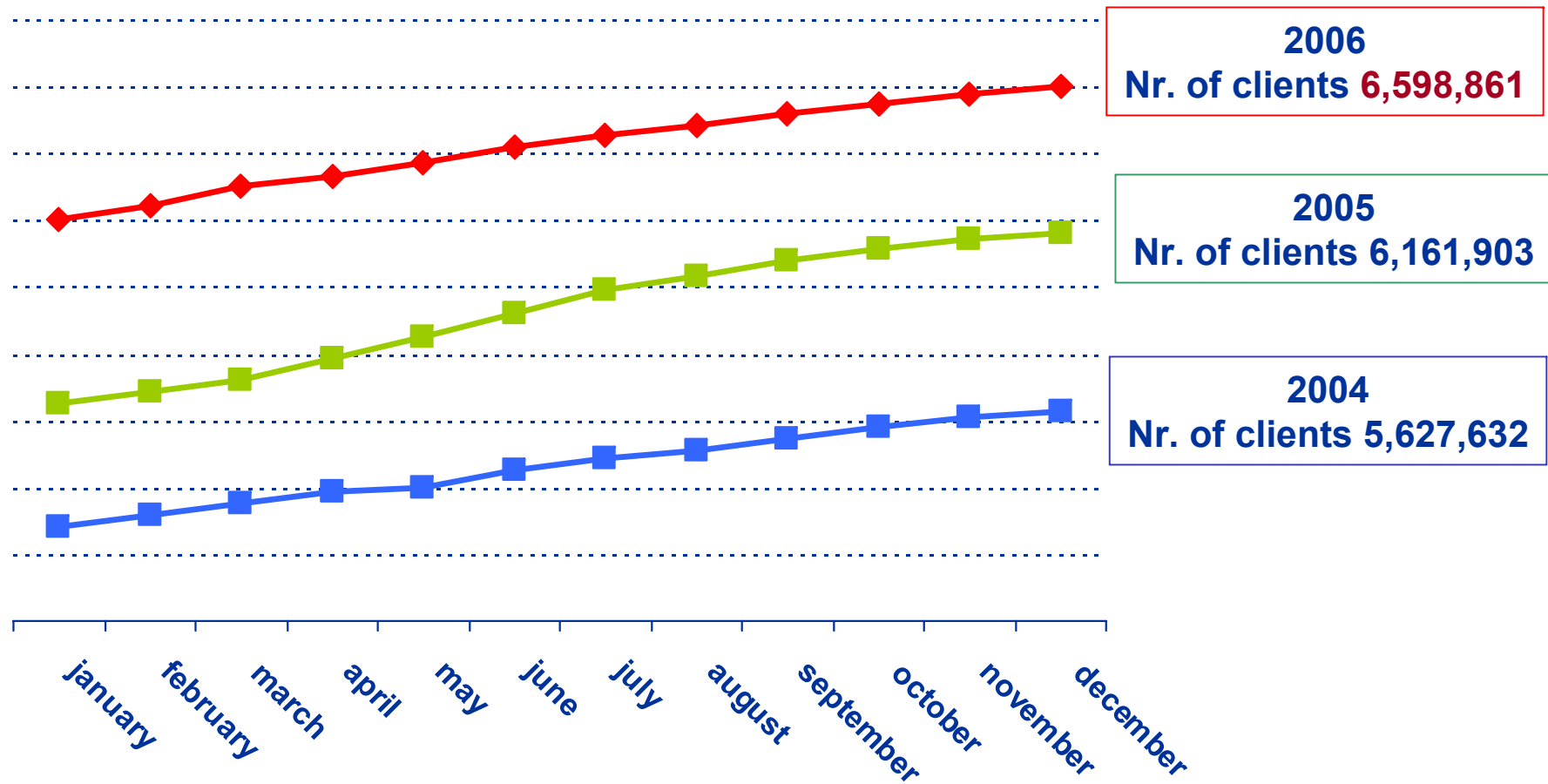
One third of all Spanish clients have 4 products or more



# STRONG CUSTOMER ACQUISITION

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## ► SUSTAINED GROWTH



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

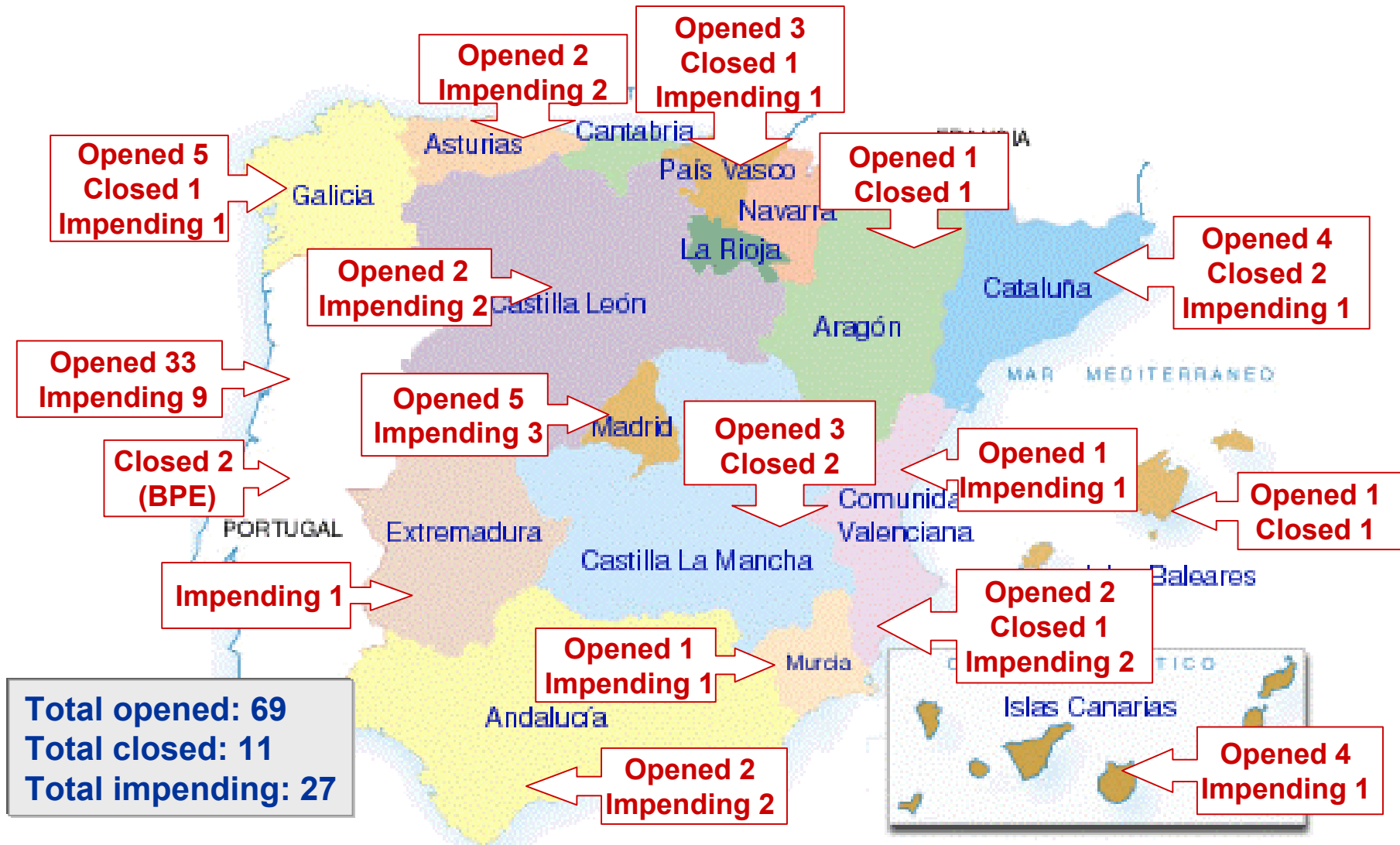
## ▶ NETWORK ACTIVITY THROUGH DECEMBER 2006

Opened Branches 

Closed Branches 

Impending Branches   

## ▶ NETWORK ADJUSTMENTS THROUGH DECEMBER 2006



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

# EARNINGS

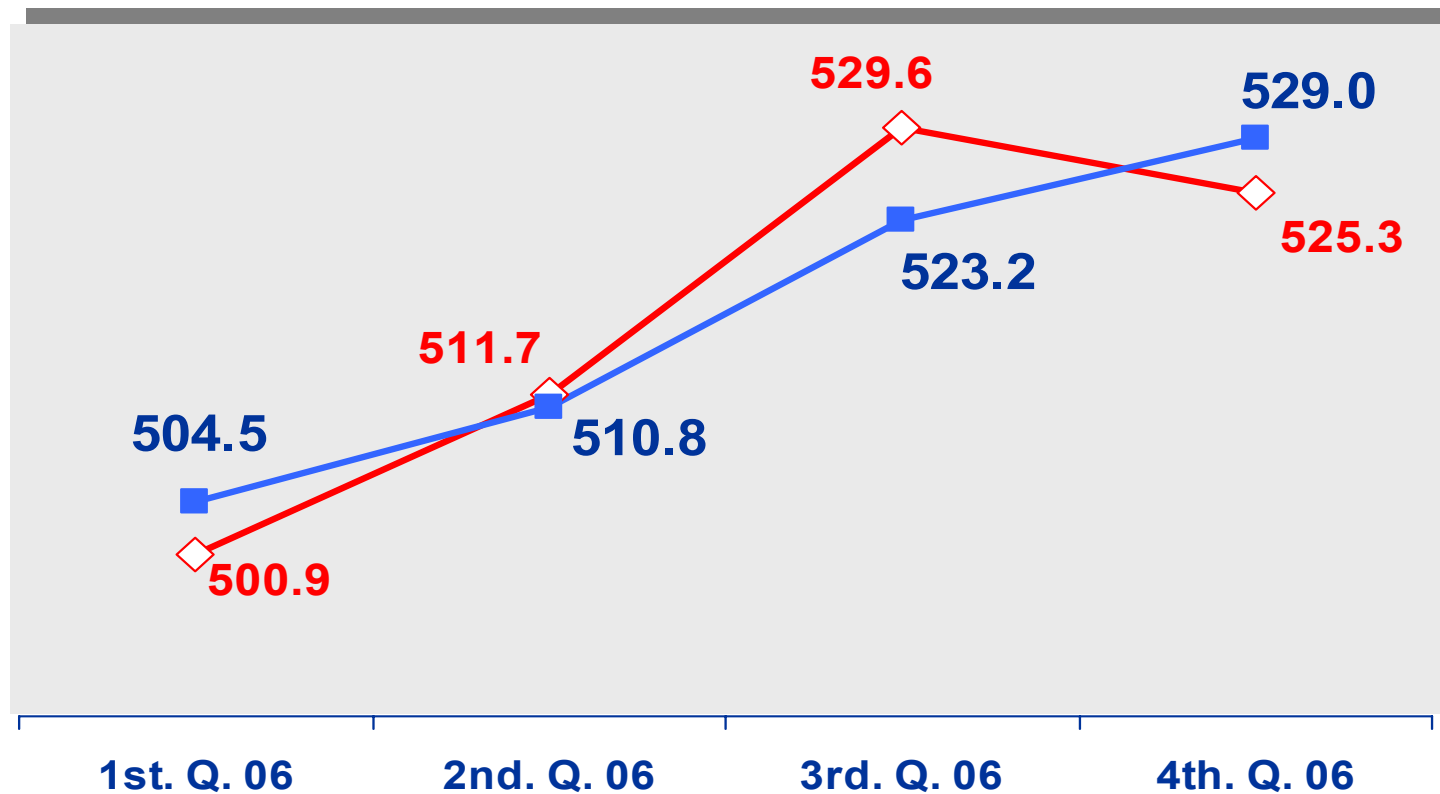
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<i>(Euro Million)</i>	Dec. 2006	y-on-y % $\Delta$
<b>Net interest revenue</b>	<b>2,067.5</b>	9.5
Revenues from equity method entities	3.1	112.4
Net fees	880.6	11.5
Insurance business	45.2	73.2
Asset trading	60.0	268.0
Exchange gains (net)	51.1	21.3
<b>Ordinary revenue</b>	<b>3,107.5</b>	12.4
<b>Operating cost</b>	<b>1,033.4</b>	5.3 *
Personnel expenses	706.0	6.2
Other general administrative expenses	327.4	3.5
<b>Operating income</b>	<b>2,016.4</b>	16.8
<b>Income before taxes</b>	<b>1,723.4</b>	21.8
<b>Corporate income tax provision</b>	<b>569.9</b>	19.5
<b>Corporate tax reduction effect</b>		
<b>Consolidated income for the period</b>	<b>1,091.2</b>	16.4
<b>Income attributed to minority interests</b>	<b>65.2</b>	8.9
<b>Net income attributable</b>	<b>1,026.0</b>	16.9
<b>Proforma ex–new corporate tax effect</b>	<b>1,085.2</b>	23.6

\* w/o compensating fees

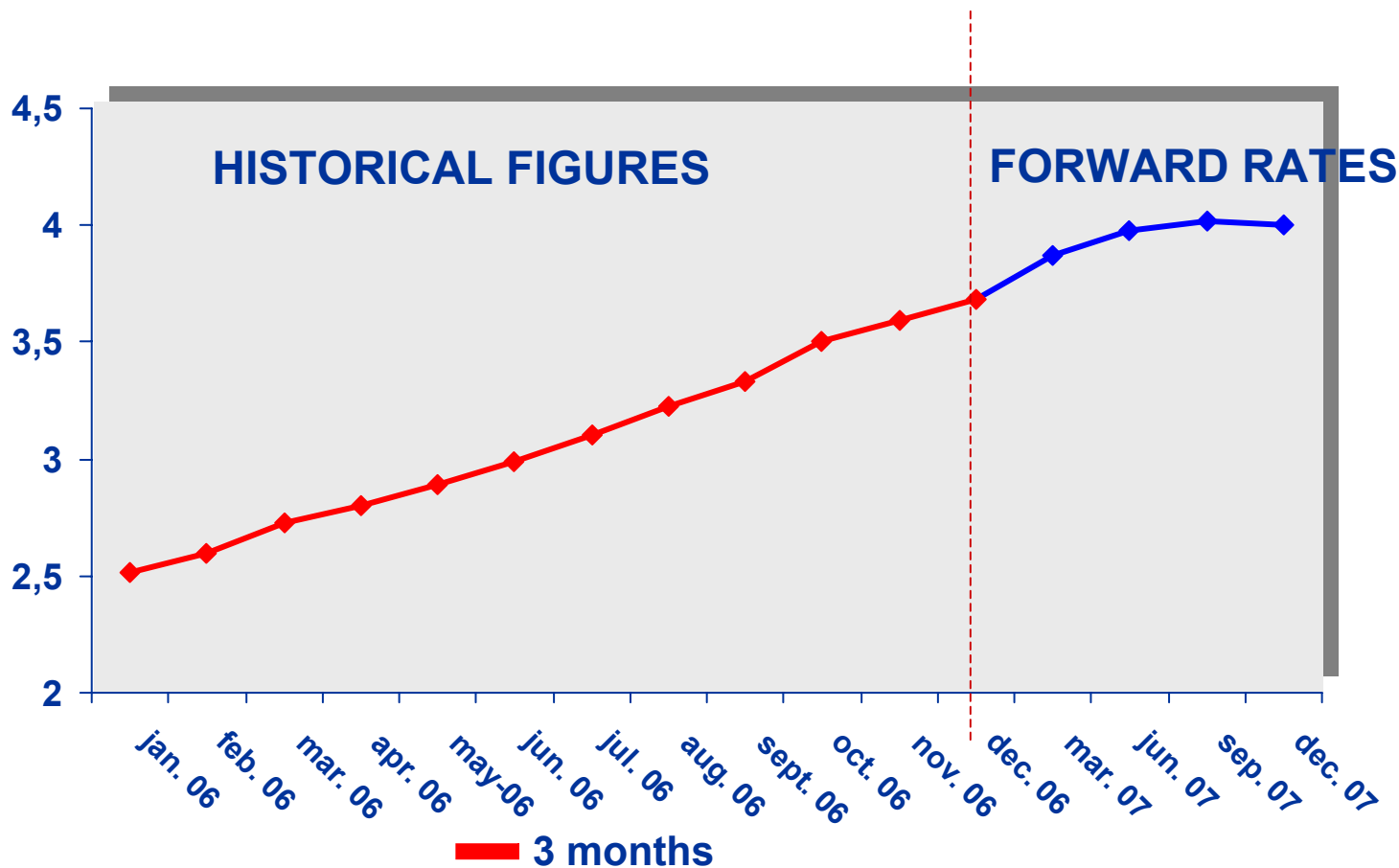
## ▶ NET INTEREST REVENUE

(Euro Million)



■ Trending of Net Interest Income excluding dividend income seasonality  
■ Net Interest Income

## ▶ INTEREST RATES TRENDS

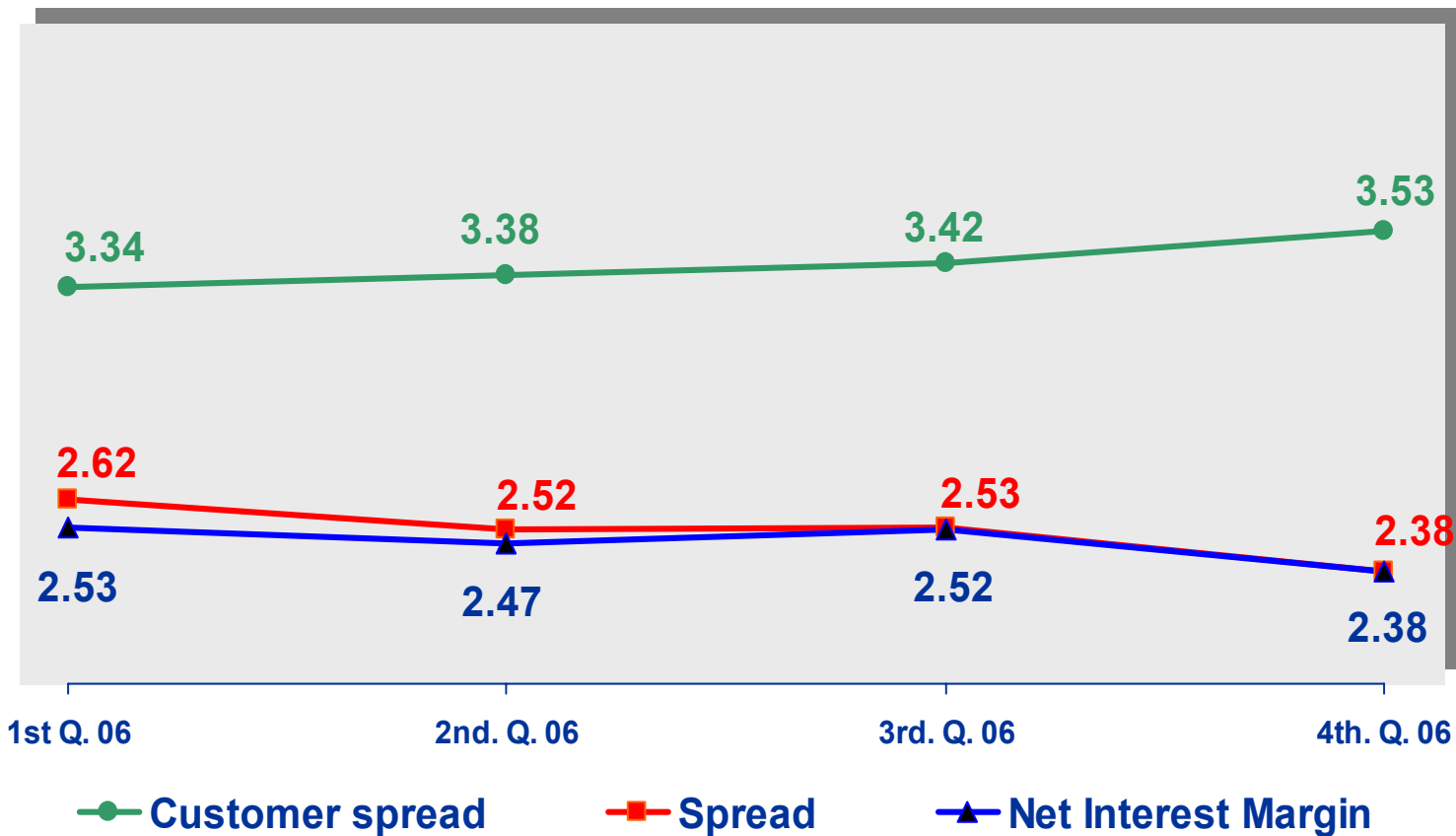


Source: REUTERS 19-12-06



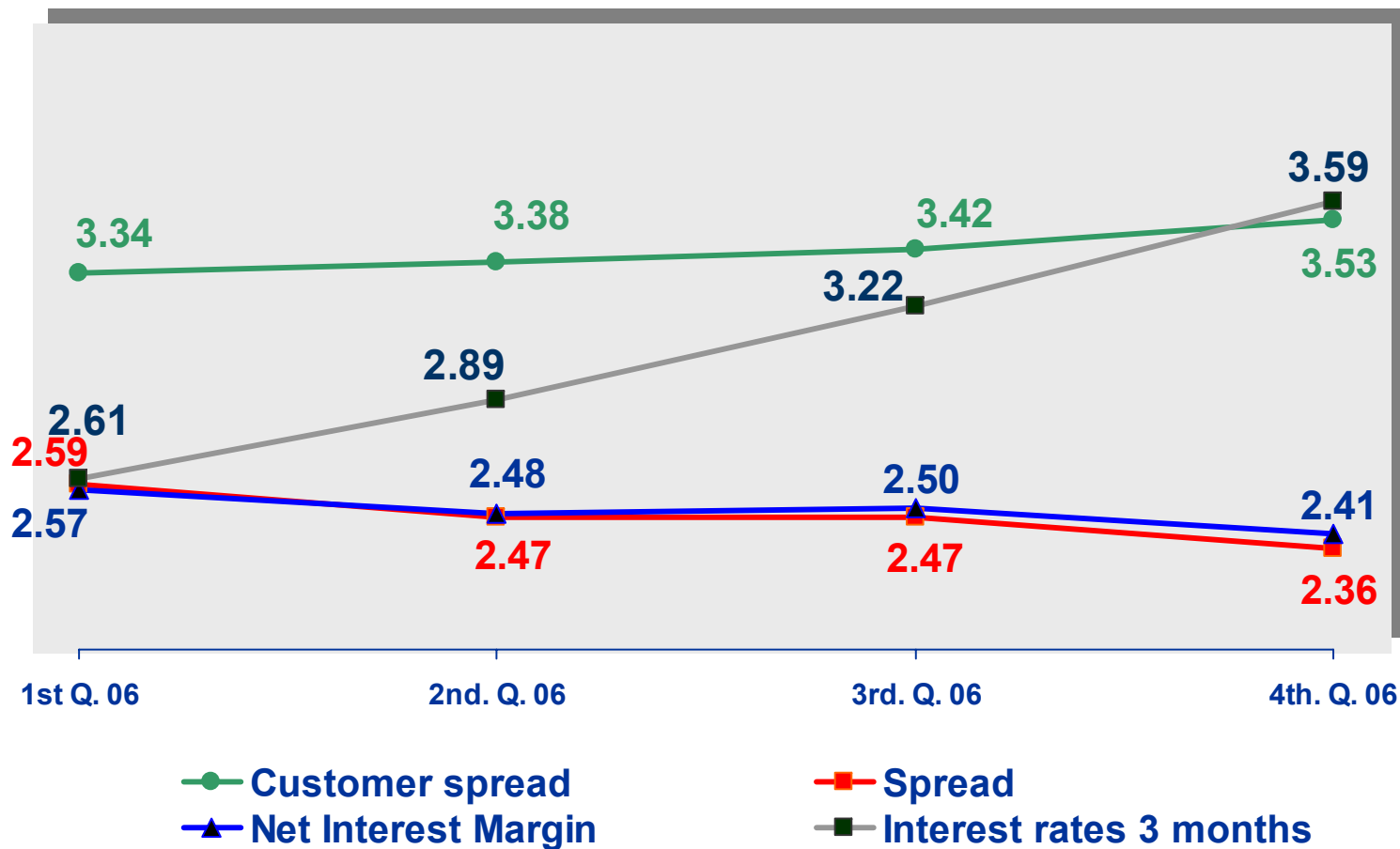
## ▶ NET INTEREST MARGIN & SPREAD

(%)



## ▶ NET INTEREST MARGIN & SPREAD WITHOUT SECURITIES TRADING

(%)



## ► FEES FOR SERVICES

	Year-on-year % accum. $\Delta$	As % of total fees
Loan-related fees:	-7.5	11.3
Bill discounting	-10.7	5.2
Other	-4.5	6.1
Fees from guarantees	32.0	15.0
Collection & card-related	10.1	27.2
Forex & securities dealing	24.4	2.5
Customer financial asset mgt:	14.6	27.3
Securities portfolio	7.9	3.4
Mutual funds & pension plans	15.6	23.9
Account mgt. fees and other	7.1	16.7
<b>TOTAL</b>	<b>11.5</b>	<b>100.0</b>

## ► FEES FOR SERVICES

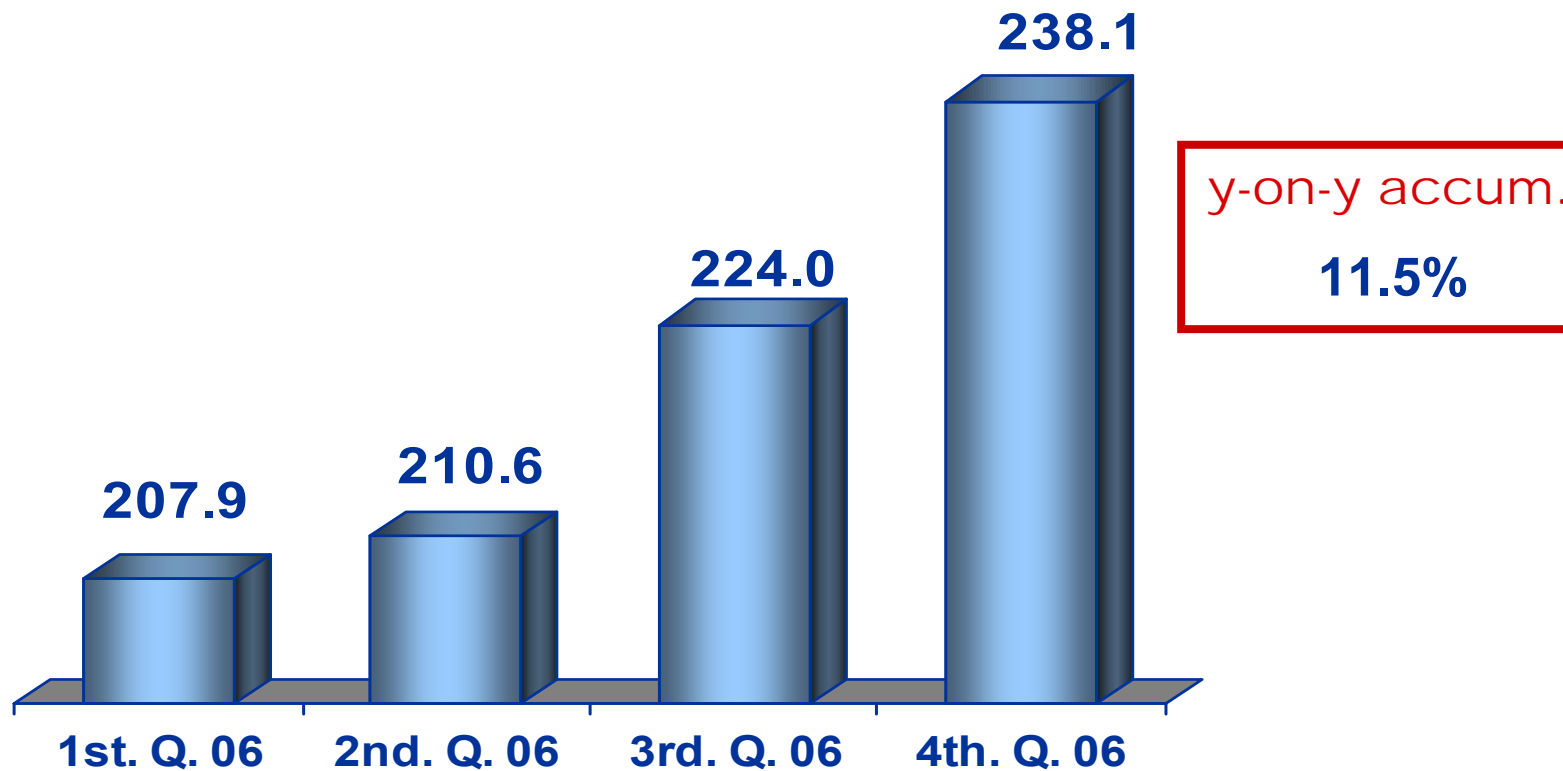
*(Euro Million)*

	December 06	December 05	y-on-y %
<b>Gross fees</b>	<b>1,041.5</b>	<b>992.9</b>	<b>4.9</b>
<b>Fees paid</b>	<b>160.9</b>	<b>202.9</b>	<b>-20.7</b>
<b>Net fees</b>	<b>880.6</b>	<b>790.0</b>	<b>11.5</b>

**Significant decline in fees paid**

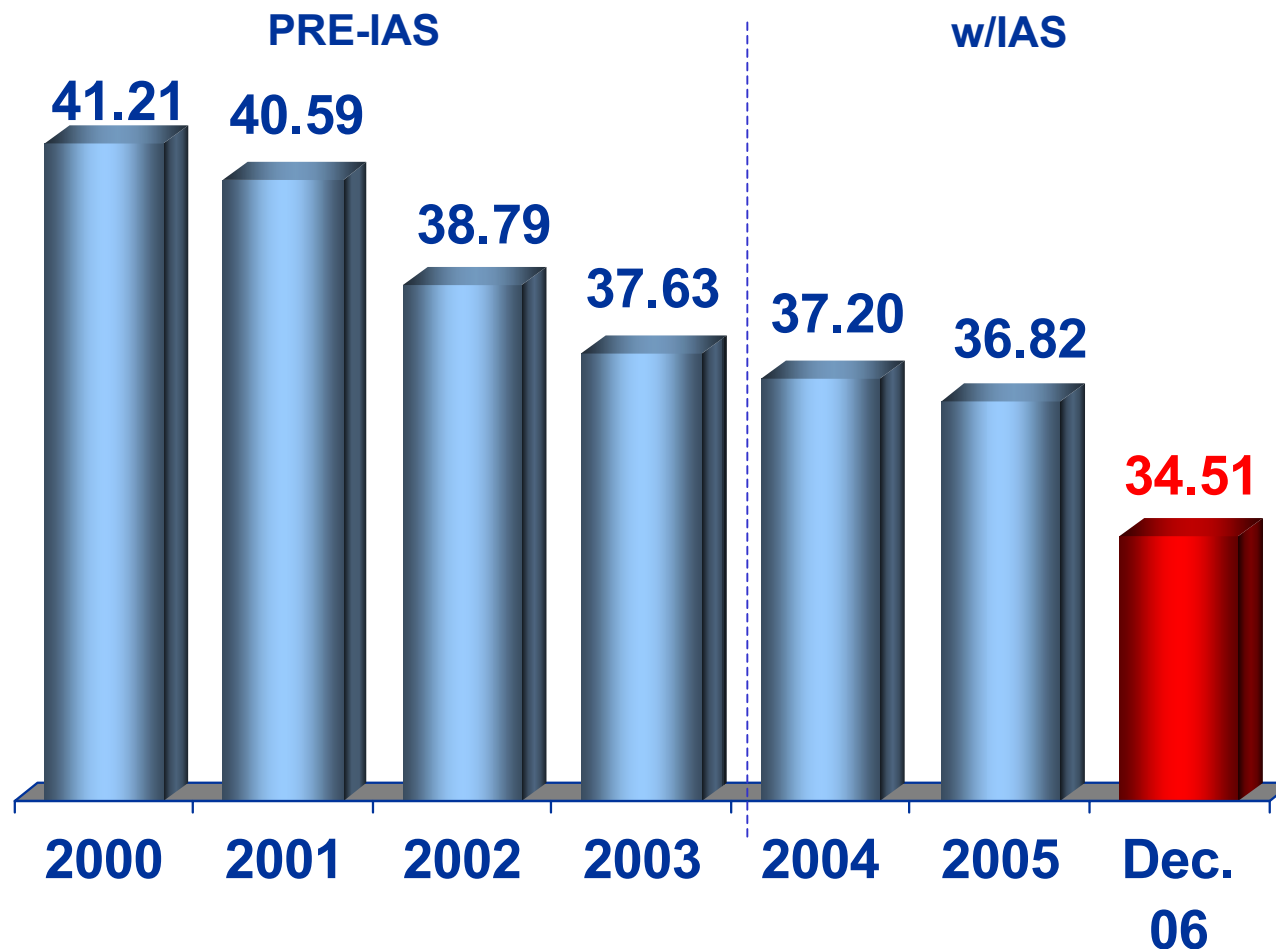
## ► FEES FOR SERVICES

*(Euro Million)*



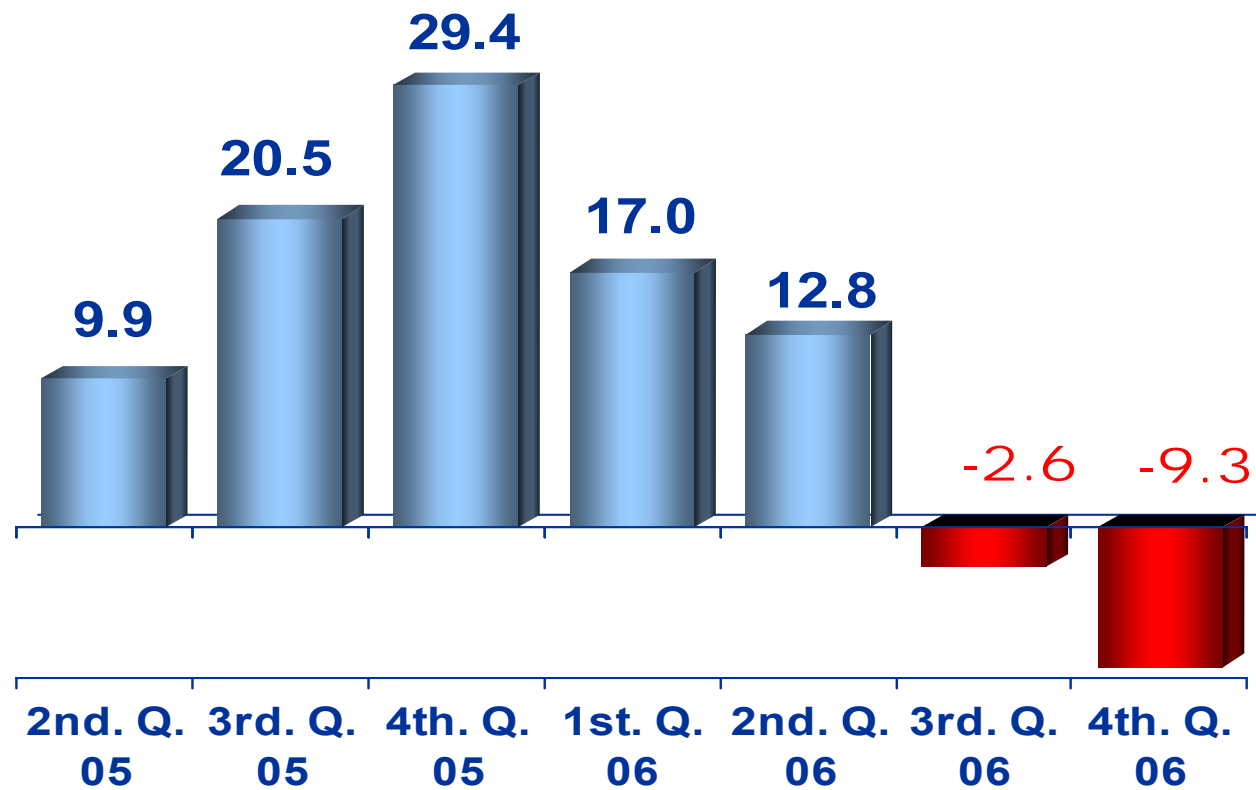
## ► COST/INCOME RATIO EVOLUTION

(%)



## ► NON-PAYROLL EXPENSES

*y-on-y (%)*  
Stand-alone quarter



## ► NON-PAYROLL EXPENSES

(Euro Thousand)

	31.12.06	31.12.05	% variation
<b>General expenses</b>	<b>327,453</b>	<b>316,482</b>	<b>3.5</b>
Rents and common services	51,937	48,989	6.0
Communications	28,270	30,149	-6.2
Maintenance of premises & equipment	23,787	23,593	0.8
IT and other technical expenses	67,330	50,219	34.1
Office supplies	7,746	7,587	2.1
Technical reports and legal expenses	11,640	12,429	-6.3
Advertising	37,772	51,701	-26.9
Insurance	4,570	3,670	24.5
Security and fund transport services	19,033	18,115	5.1
Travel	11,765	11,612	1.3
Property taxes, VAT and other	44,543	41,864	6.4
Other general expenses	19,060	16,554	15.1



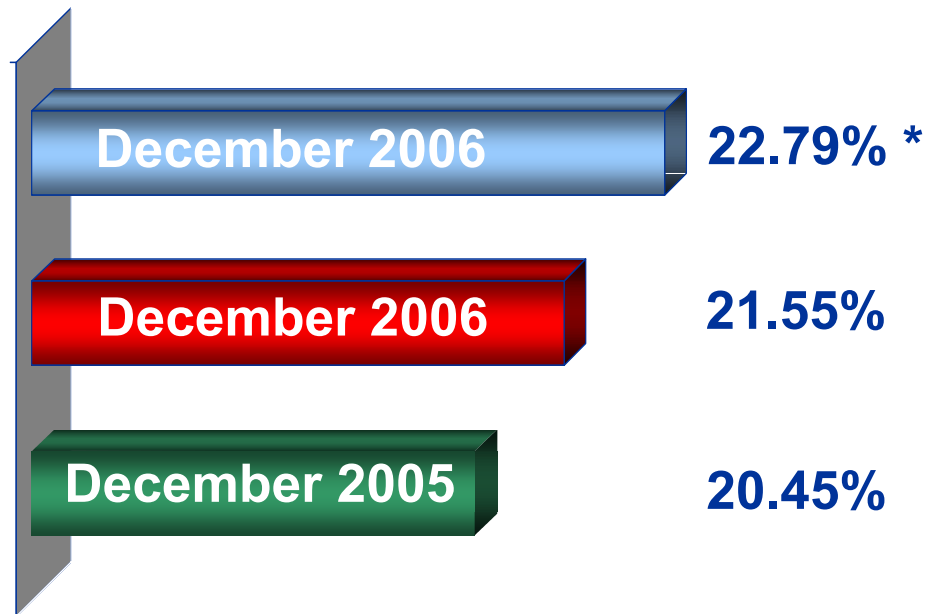
## ▶ NON-PAYROLL EXPENSES

*(Euro Thousand)*

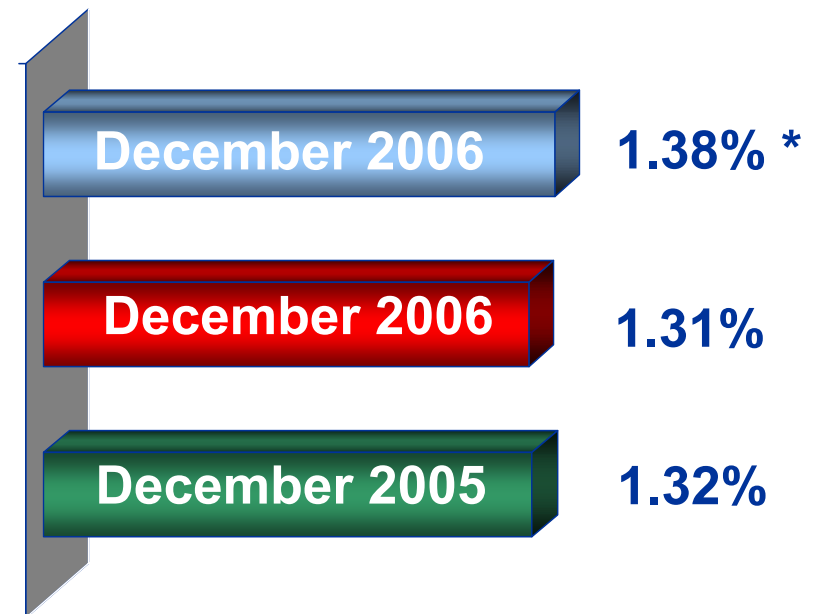
	31.12.06	31.12.05	% variation
IT and other technical expenses	67,330	50,219	34.1
Other non-payroll expenses	260,123	266,263	-2.3
<b>Total general expenses</b>	<b>327,453</b>	<b>316,482</b>	<b>3.5</b>

## ► PROFITABILITY

### ROE

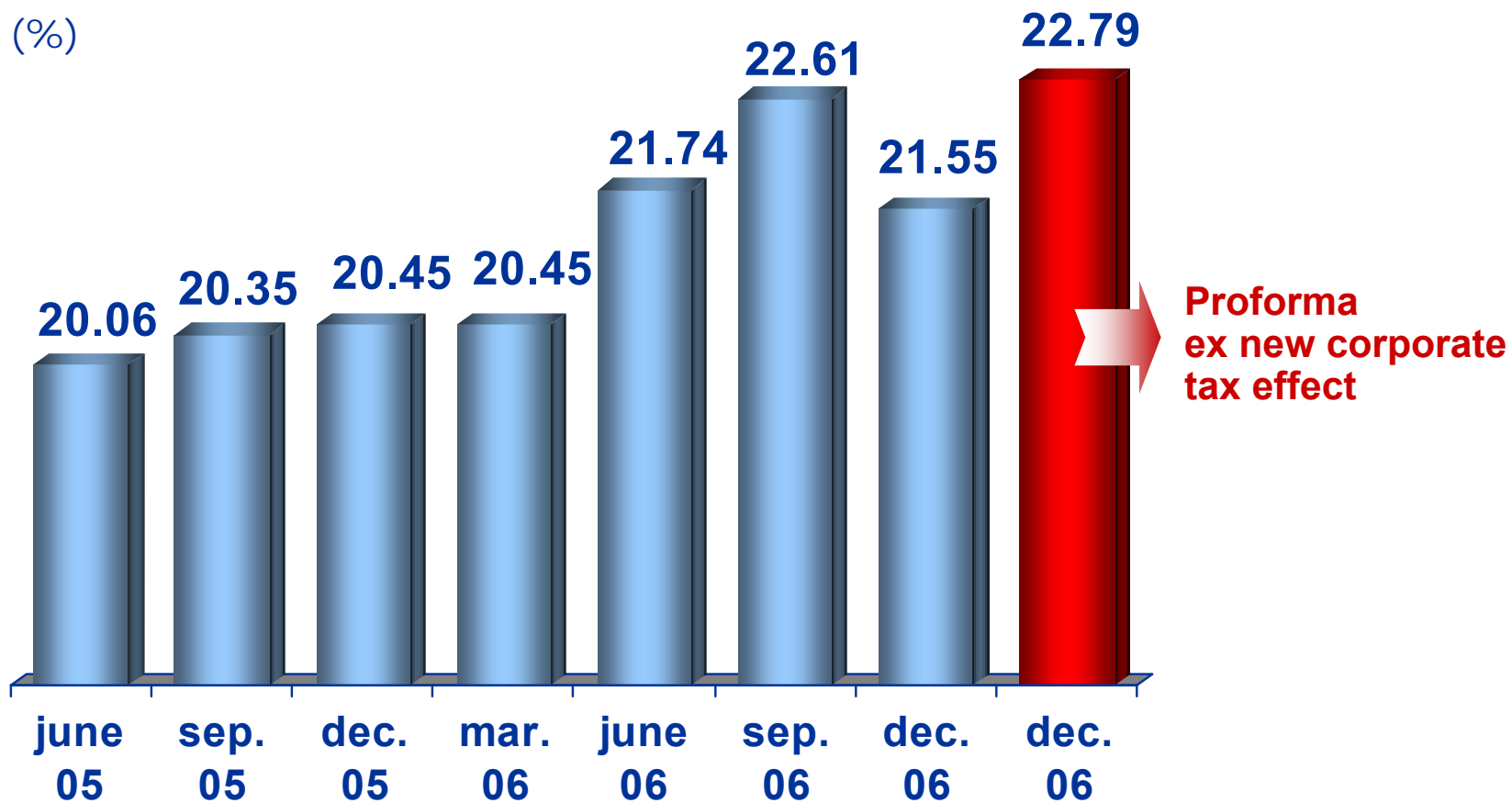


### ROA



\* Proforma ex new corporate tax effect

## ▶ ROE EVOLUTION



## ▶ SECTOR COMPARISON; RETURN & EFFICIENCY

### ROA

**Banco Popular**

**December 06      1.31%**

**Ave. Nonpublic Banks Sept. 06**

**1.12%**

**Ave. Savings Banks Sept. 06**

**0.92%**

### Cost/Income Ratio \*

**Banco Popular**

**December 06      31.23%**

**Ave. Nonpublic Banks Sept. 06**

**40.28%**

**Ave. Savings Banks Sept. 06**

**43.47%**

Consolidated data

\* Cost base excludes depreciation

Source: AEB & CECA

# SOLVENCY

ANNUAL  
RESULTS  
2006

<i>(Euro Million)</i>	31.12.06	31.12.05	%
<b>Total core capital</b>	<b>5,201.7</b> <b>6.74%</b>	<b>4,704.6</b> <b>6.68%</b>	<b>10.6</b>
<b>Total Tier I Capital</b>	<b>6,189.7</b> <b>8.02%</b>	<b>5,692.6</b> <b>8.09%</b>	<b>8.7</b>
<b>Total Tier 2 Capital</b>	<b>1,423.6</b> <b>1.85%</b>	<b>1,455.7</b> <b>2.06%</b>	<b>-2.2</b>
<b>BIS computable capital</b>	<b>7,613.3</b> <b>9.87%</b>	<b>7,148.3</b> <b>10.15%</b>	<b>6.5</b>
<b>Total BIS risk weighted assets</b>	<b>77,140.2</b>	<b>70,392.4</b>	<b>9.6</b>

## ► SOLVENCY EVOLUTION

*(Euro Million)*

	31.12.06	30.9.06	30.6.06
Total core capital	5,201.7 6.74%	5,099.9 6.76%	4,960.6 6.52%
Total Tier I Capital	6,189.7 8.02%	6,087.9 8.07%	5,948.6 7.81%
Total Tier 2 Capital	1,423.6 1.85%	1,400.4 1.86%	1,444.7 1.90%
BIS computable capital	7,613.3 9.87%	7,488.3 9.93%	7,393.3 9.71%
<b>Total BIS risk weighted assets</b>	<b>77,140.2</b>	<b>75,434.8</b>	<b>76,121.0</b>

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

▶ **Banco Popular Portugal**

*(Euro Thousand)*

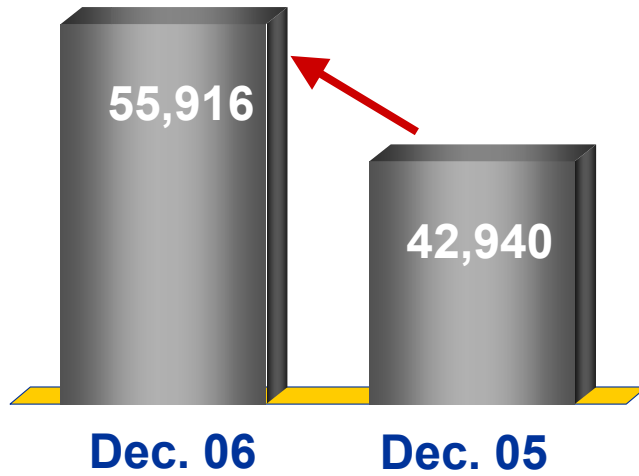
	<b>December 2006</b>	<b>December 2005</b>	<b>△%</b>
<b>Net interest revenue</b>	<b>160,366</b>	<b>133,491</b>	<b>20.1</b>
<b>Fees for services</b>	<b>40,385</b>	<b>33,562</b>	<b>20.3</b>
<b>Ordinary revenue</b>	<b>203,496</b>	<b>168,561</b>	<b>20.7</b>
<b>Operating cost</b>	<b>80,284</b>	<b>74,299</b>	<b>8.1</b>
<b>Depreciation</b>	<b>10,956</b>	<b>10,397</b>	<b>5.4</b>
<b>Operating income</b>	<b>112,255</b>	<b>83,864</b>	<b>33.9</b>
<b>Net income</b>	<b>55,916</b>	<b>42,940</b>	<b>30.2</b>



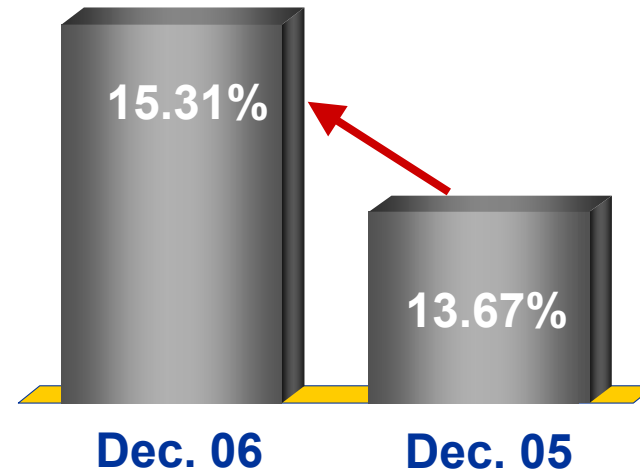
*(Euro Million)*

	December 2006	December 2005	Δ%
<b>Loans</b>	5,737.0	4,855.8	18.2
<b>Total assets</b>	7,545.9	6,272.4	20.3
<b>Customer deposits</b>	3,026.3	2,885.1	4.9
<b>Interbank deposits</b>	3,160.7	2,348.8	34.6
<b>Subordinated funding</b>	270.3	307.1	-12.0
<b>Equity</b>	436.9	364.4	19.9
<b>Total liabilities and equity</b>	7,545.9	6,272.4	20.3

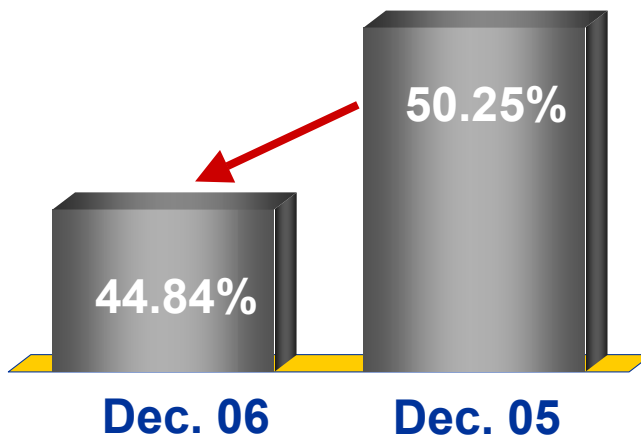
### Net Income



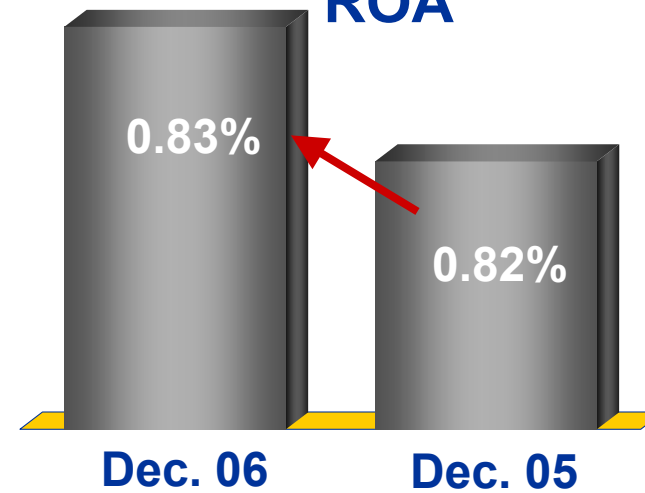
### ROE



### Cost/Income Ratio



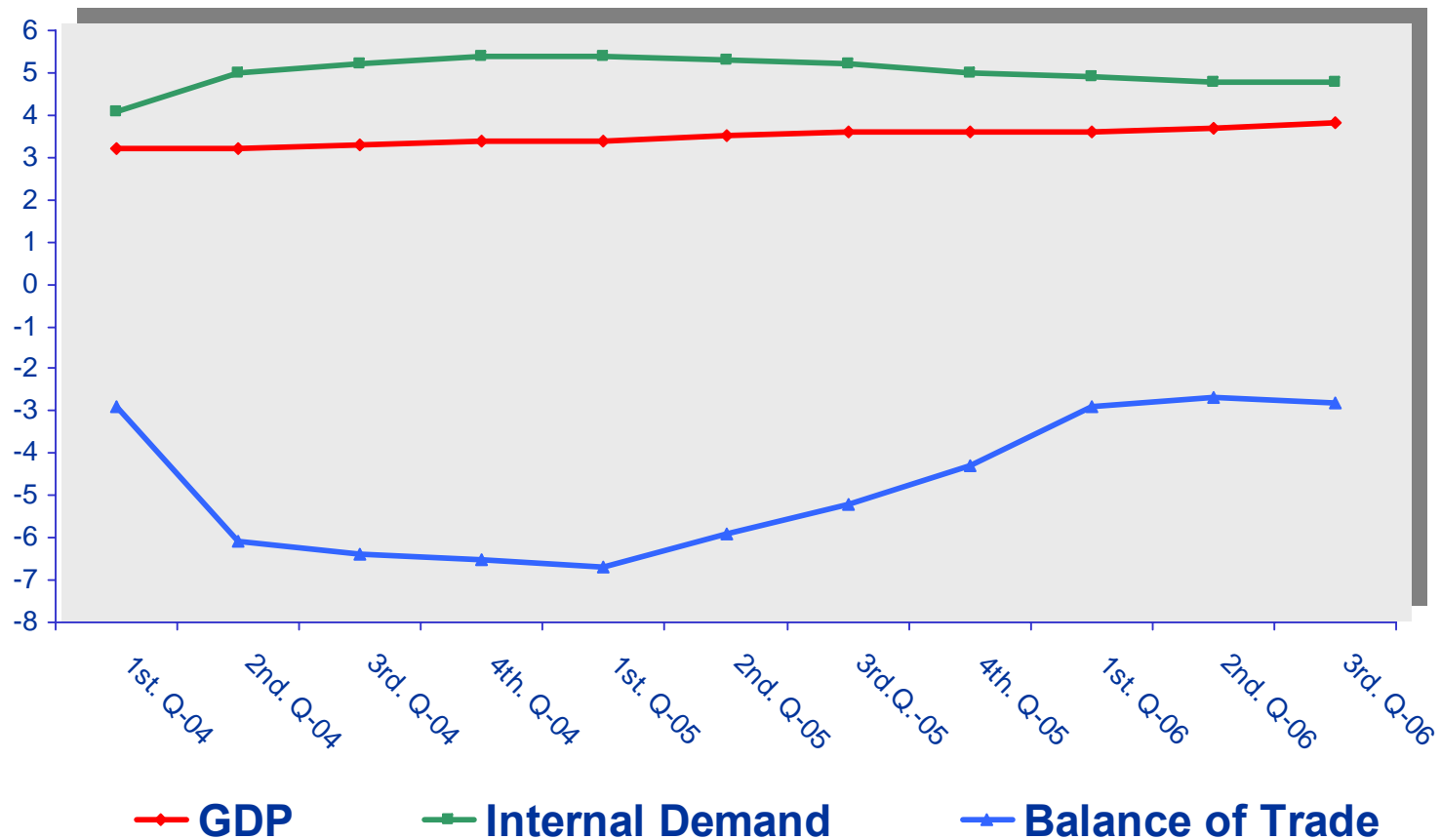
### ROA



## ANNEX

# MACROECONOMIC PARAMETERS IN SPAIN

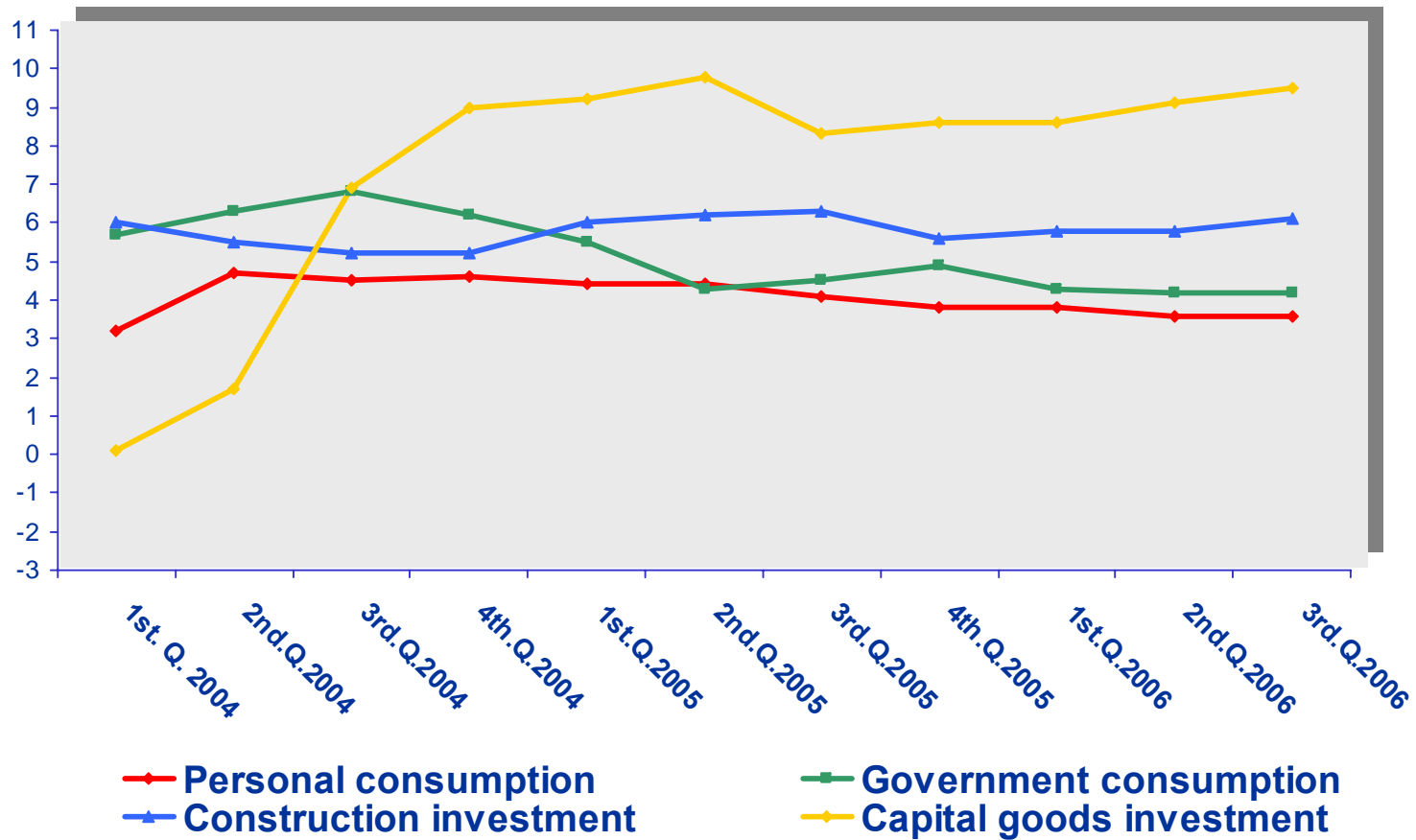
ANNUAL  
RESULTS  
2006



Source: INE

# MACROECONOMIC PARAMETERS IN SPAIN

ANNUAL  
RESULTS  
2006

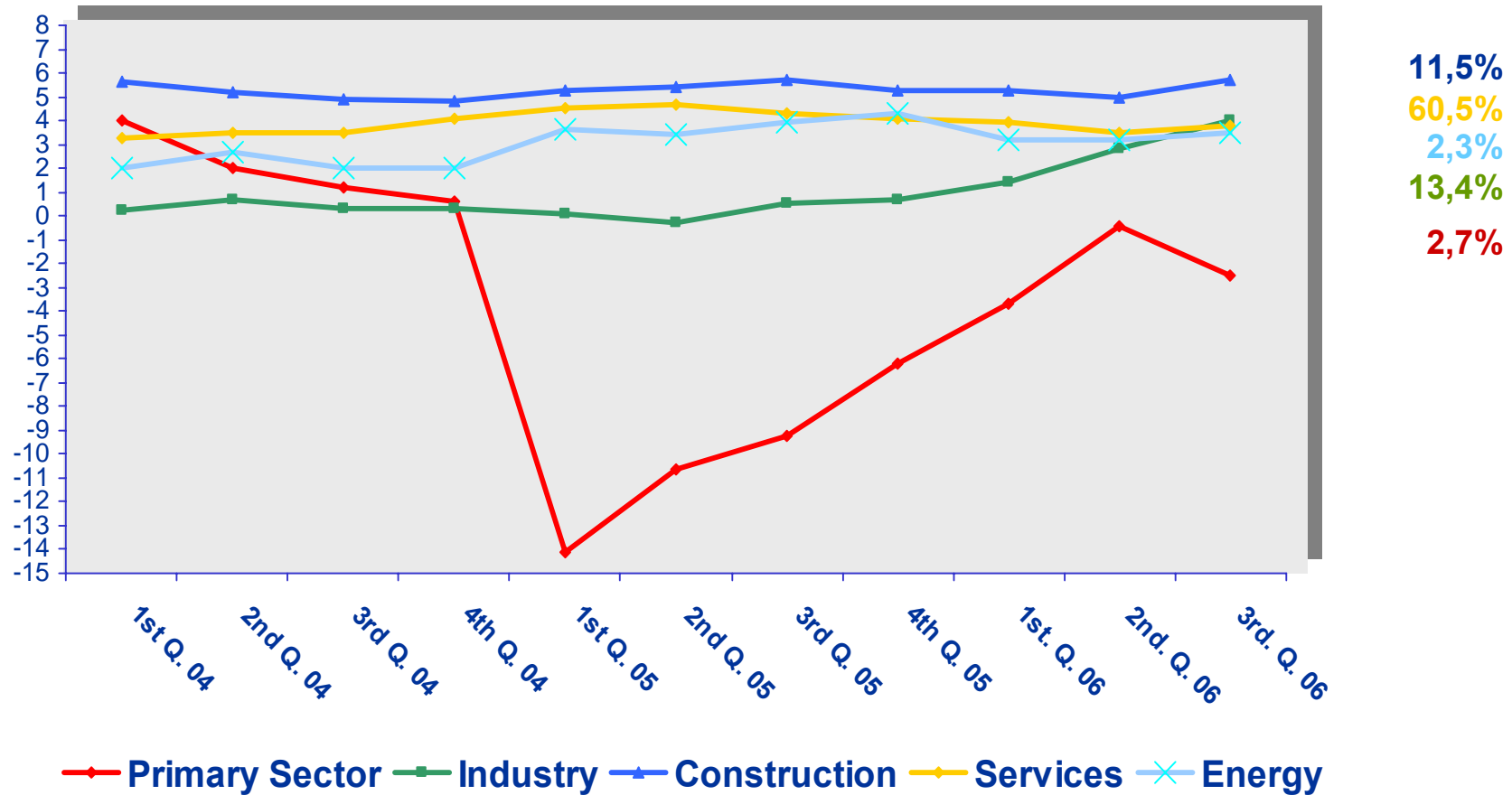


Source: INE

# MACROECONOMIC PARAMETERS IN SPAIN

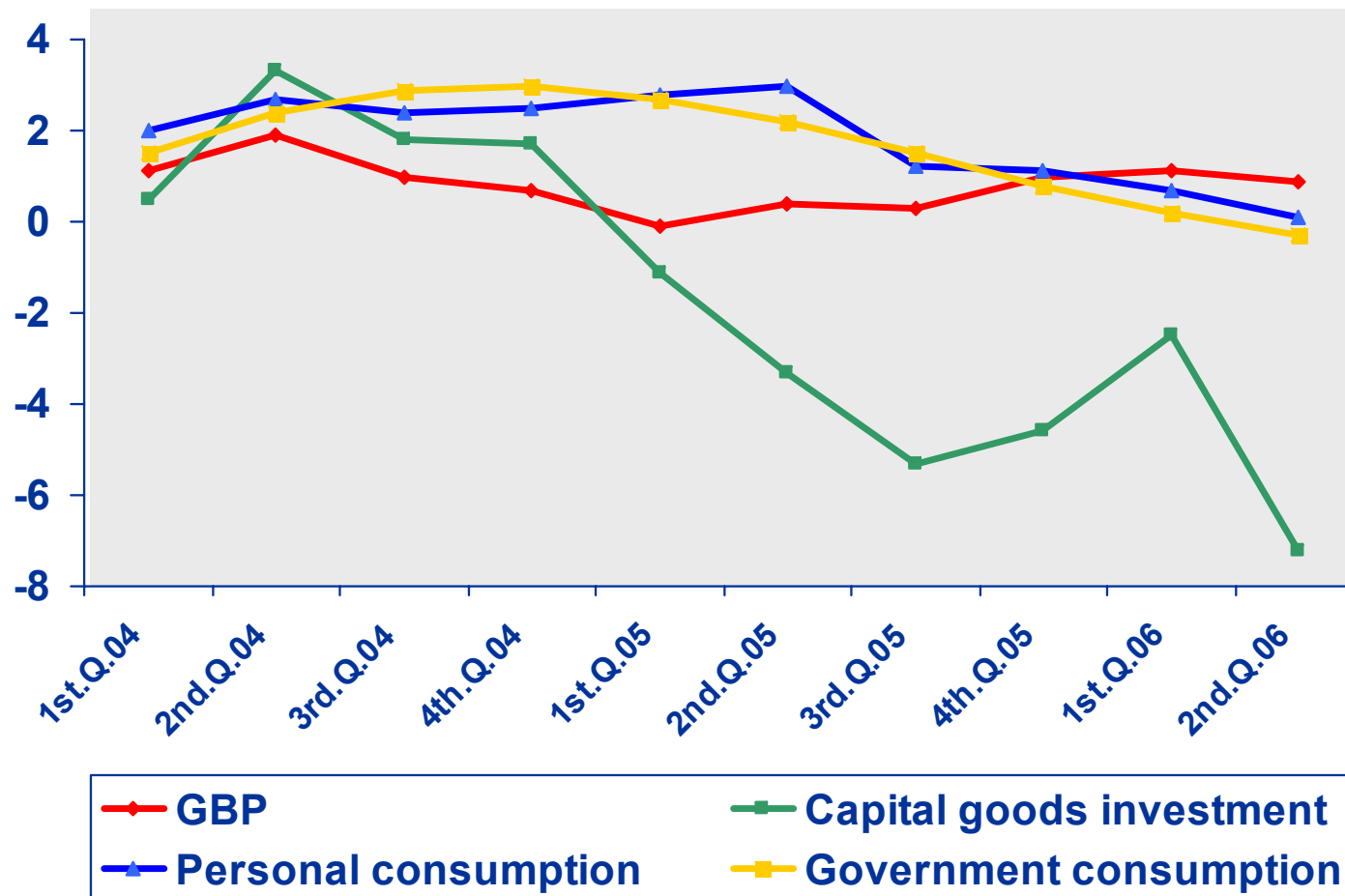
ANNUAL RESULTS  
2006

Weight on GDP

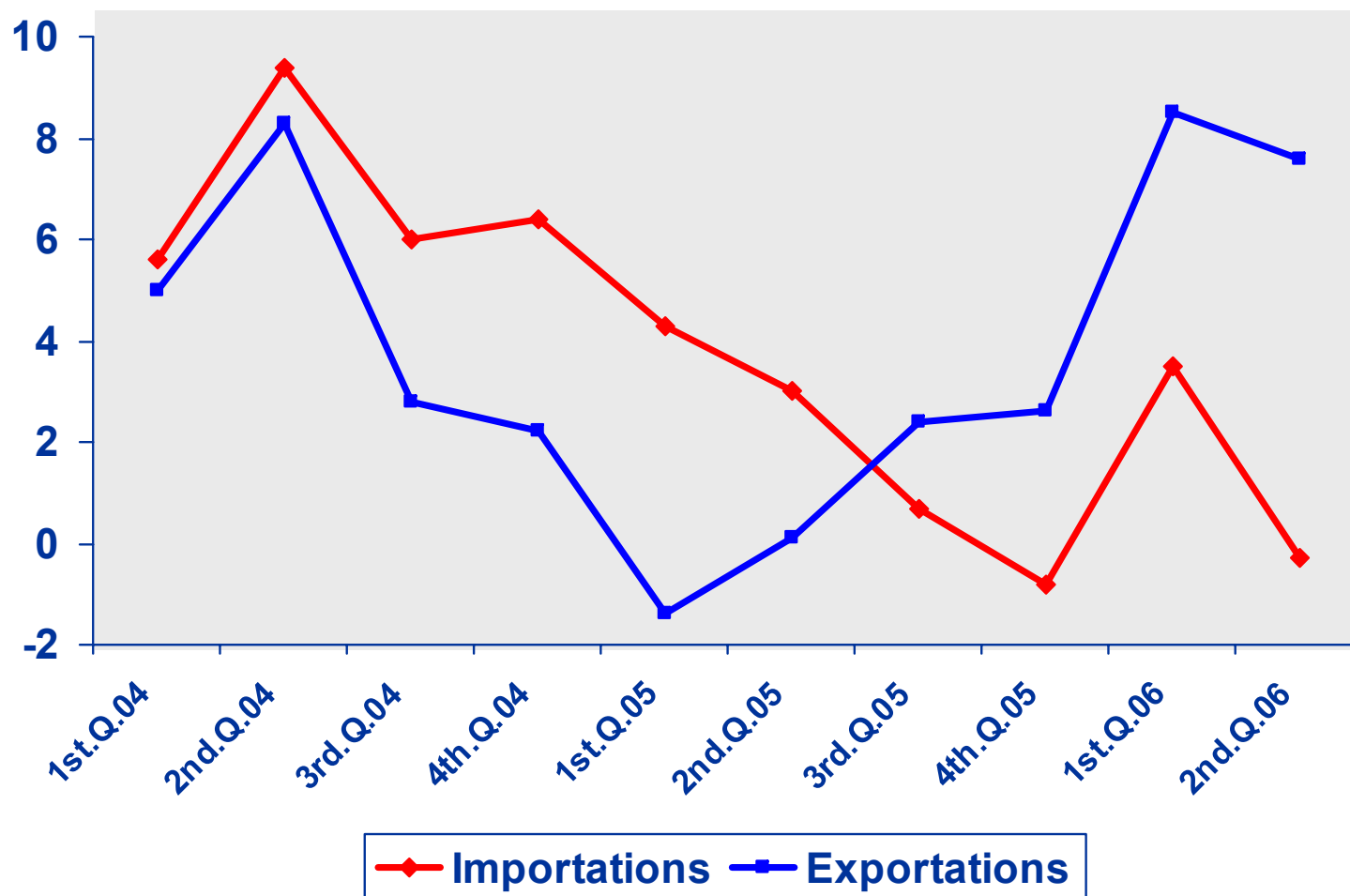


Source: INE

## INTERNAL DEMAND COMPONENTS IN PORTUGAL (%)



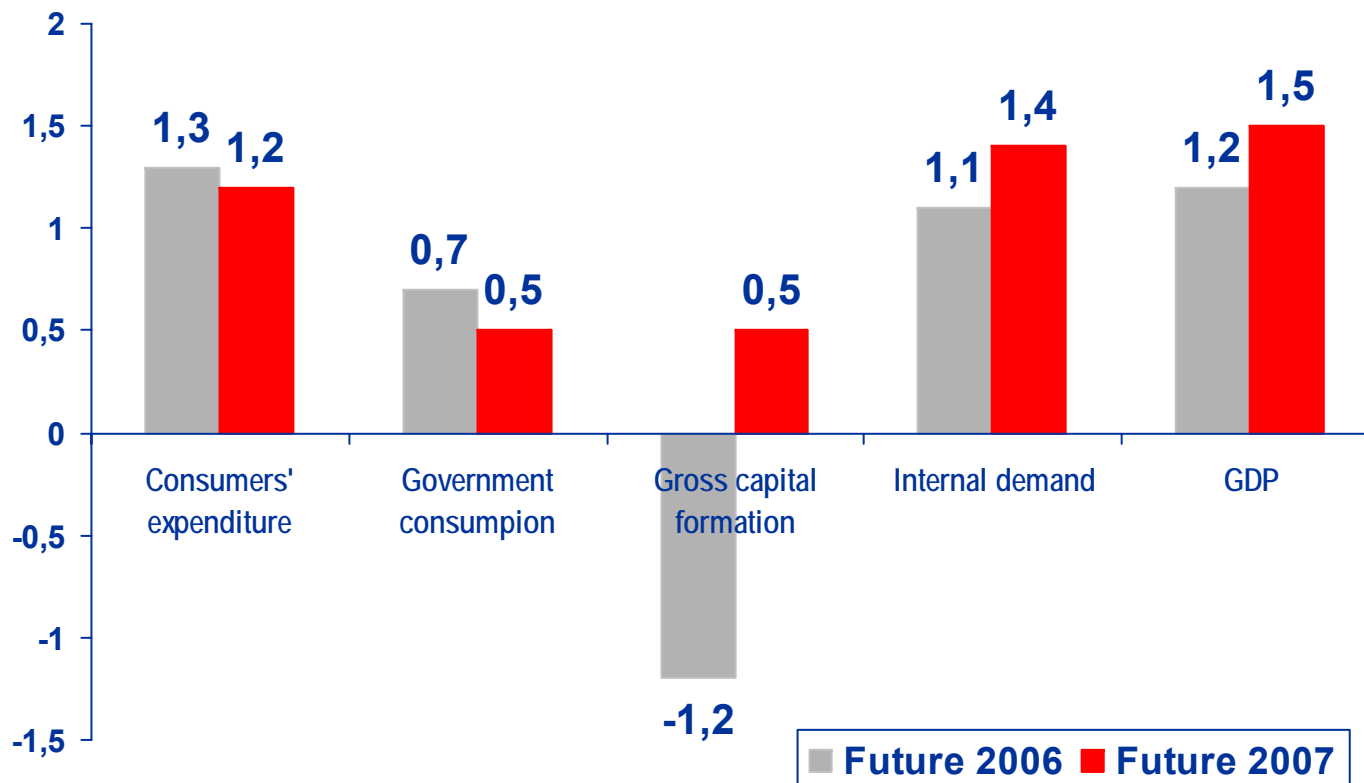
## NATIONAL TRADE ACCOUNT (QUARTERLY 2000 BASE)



Source: Banco de Portugal / Boletín estadístico November 2006  
Instituto Nacional de Estadística Portugal



## GDP: EXPECTED TREND (%)

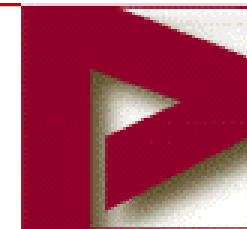


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