

January 2004

Banco Popular Group

A 3-YEAR FLIGHT

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3-YEAR PROGRAM

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MAIN GOAL

Net Income Attributable

2003: 714 mill. euros



2006: 1 BILLION euros



3-YEAR GROWTH: +12 % PER ANNUM

3-YEAR PROGRAM

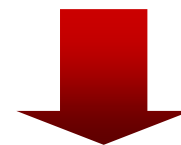
A 3-YEAR SCENARIO

Likely ranges of P&L growth:

	<u>average p.a.</u>
Net interest revenue	11 – 13 %
Ordinary revenues	10 – 12 %
Operating income	12 – 14 %
Net income attributable	12 – 14 %

3-YEAR PROGRAM

RATIOS FOR 3 YEARS

R.O.E.**R.O.A****COST/INCOME****Range 3-y****22-27 %****1.4-1.6 %****36-32 %****Target****25 %*****1.5 %****34 %**

* Subject to changes: acquisitions, IAS, growth...

3-YEAR PROGRAM

A 3-YEAR SCENARIO

**Loan
book**

**Customer
funds**

Growth: 15-18 % p.a.

9-13 % p.a.

Market share gain*: 0.25 % p.a.

0.20 % p.a.

Non performing loan ratio: below 0.90 %

* On commercial banks (transactions with residents)

3-YEAR PROGRAM

A 3-YEAR SCENARIO

Other business growth assumptions:

- ⇒ Progressive change in the loan mix:**
 - **more corporate and consumer loans**

- ⇒ Fee Income Growth: 7 – 10 % p.a.:**
 - **propelled by Asset Management boost**

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY. MANAGEMENT FOCUS ON:

- 1. Across the line deployment on private individuals**
- 2. Maintain pressure on corporate business acquisition**
- 3. New actions with retailers**
- 4. Speed up growth of affinity groups**
- 5. New instruments to back up marketing efforts**
- 6. Expand and optimise branches and agents**
- 7. Growth in Portugal**

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

1. Banking for private individuals:

➡ Mass-retail banking

- Development of **CONSUMER LOANS** from cards
2004: launch new generation revolving cards
- Further expand all card business (Vid next chart)
- New systems & products for mortgage lending
- Finer client segmentation & new products
- Increase stickiness: ≥ 4 products/customer

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals. Cards

	<u>in 2003</u>	<u>Targets: increase 3 years</u>
Nr cards	4.8 mill.	> 1 million new cards
Turnover	€ 5.5 bill.	> € 1.2 billion more

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals:

➡ Personal banking: exploit 600 internal agents

	<u>2003</u>	<u>TARGET 2006</u>
Customers	81.269	150.000
Assets	€12.3 billion	€ 25 billion

➡ Private banking: increase agents, branches

Assets	€ 1.6 billion	€ 3.0 billion
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3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1. Banking for private individuals:

Target

1 million new customers

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

2. Pressure on corporate customer banking:

⇒ Increase progressively acquisition rate to:

40.000 new SMEs per year

⇒ New segmentation & packaging of products

⇒ Increase stickiness:

100 SME managers to enhance range of services

Better products: international & internet related

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

1/2. Individuals & SME customers. Stickiness

- ➡ Transfer experience with affinity groups
- ➡ Linked customers: ≥ 4 products:

Period	2003	Target 2006
Linked customers	1.770.000	2.200.000

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

3. “The Bank of retailers”:

- ➡ Personalised contact & offer for 40.000 retailers
- ➡ Internet & Affinity Card strategy

4. Affinity groups of customers:

- ➡ Business Growth targets:
 - Increase progressively rate to 30% per year

3-YEAR PROGRAM

A 3-YEAR SCENARIO STRATEGY

5. Launch new marketing instruments:

- ➡ IT platform for consumer revolving credit
- ➡ IT campaign manager
- ➡ Market surveys to focus new marketing campaigns

3-YEAR PROGRAM

A 3-YEAR SCENARIO

STRATEGY

6. Branches & Agents

- ➡ 100 new branches in Spain
- ➡ 70 new branches in Portugal *
- ➡ **Close diluters**
- ➡ **Agents: duplicate Degree of Activity & add products**

* In 4 years (vid last charts)

3-YEAR PROGRAM

7. BNC

GROWTH TARGETS for 4 years



Average loan growth ➡ 20% annual

Average deposit growth ➡ 12% annual

Increase in fee income ➡ 20% annual

Loan spread ➡ from Euribor +310 pbts, in 2003
to Euribor +200 pbts in 2007

Deposit spread:

Demand ➡ from Euribor –165 pbts in 2003
to –175 pbts in 2007

Time ➡ remain at Euribor

7. BNC



TO ATTAIN THOSE TARGETS...

	2003	2007
No. branches	130	200
No. employees	1,133	1,548
Employees per branch	8.6	7.7

7. BNC



EXPECTED RESULTS

	2003	2007
Cost / Income ratio	48.5	37.8
ROE	8.8	17.8
ROA	0.6	1.0



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