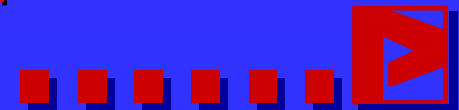


2000 - 2001: EXPANSION  
CONTI NUES

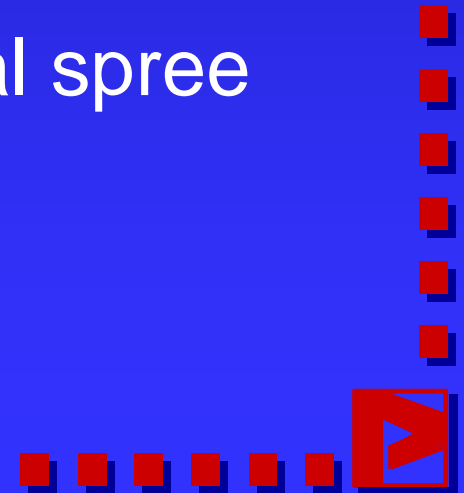
**Banco Popular**

April 2001



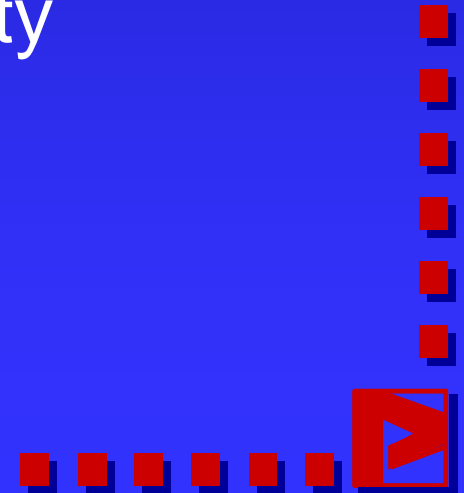
## MAIN POINTS

- ➔ Long term STRATEGY
- ➔ Short term MANAGEMENT CRITERIA
- ➔ Jump to MARKET OPPORTUNITIES
- ➔ Current STRATEGIC DEVELOPMENT
  - Foundations of commercial spree
  - Assets that drive value
- ➔ First Quarter PERFORMANCE



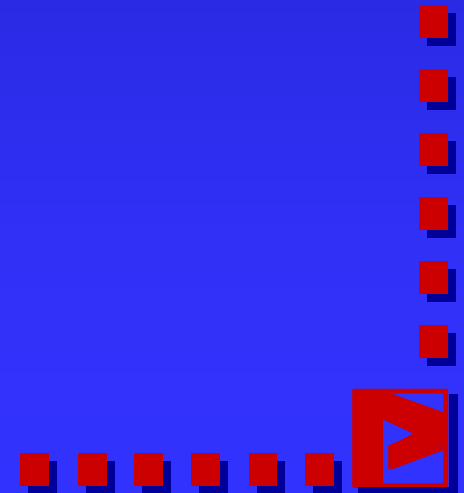
## Long term STRATEGY

- Growth of Market Share
- Total Revenues Boost
- Steady Improvement of Cost/Income Ratio
- Steady Improvement of Productivity
- Optimizing Equity



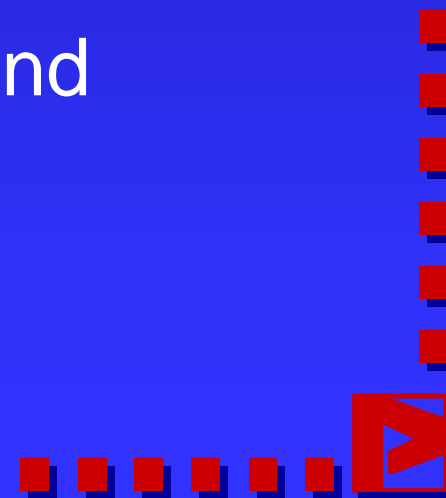
## Short term MANAGEMENT CRITERIA

- Expand Penetration on the Small and Middle Enterprises Market
- Focus on Private Individuals



## Jump to MARKET OPPORTUNITIES

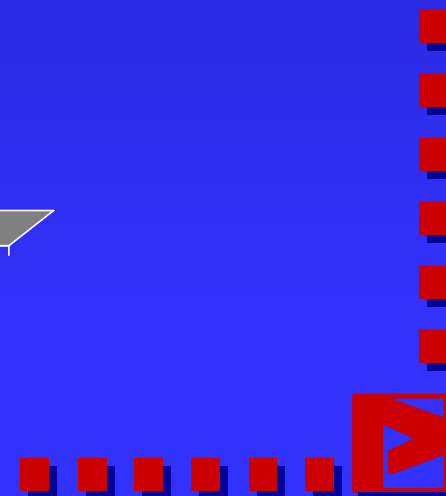
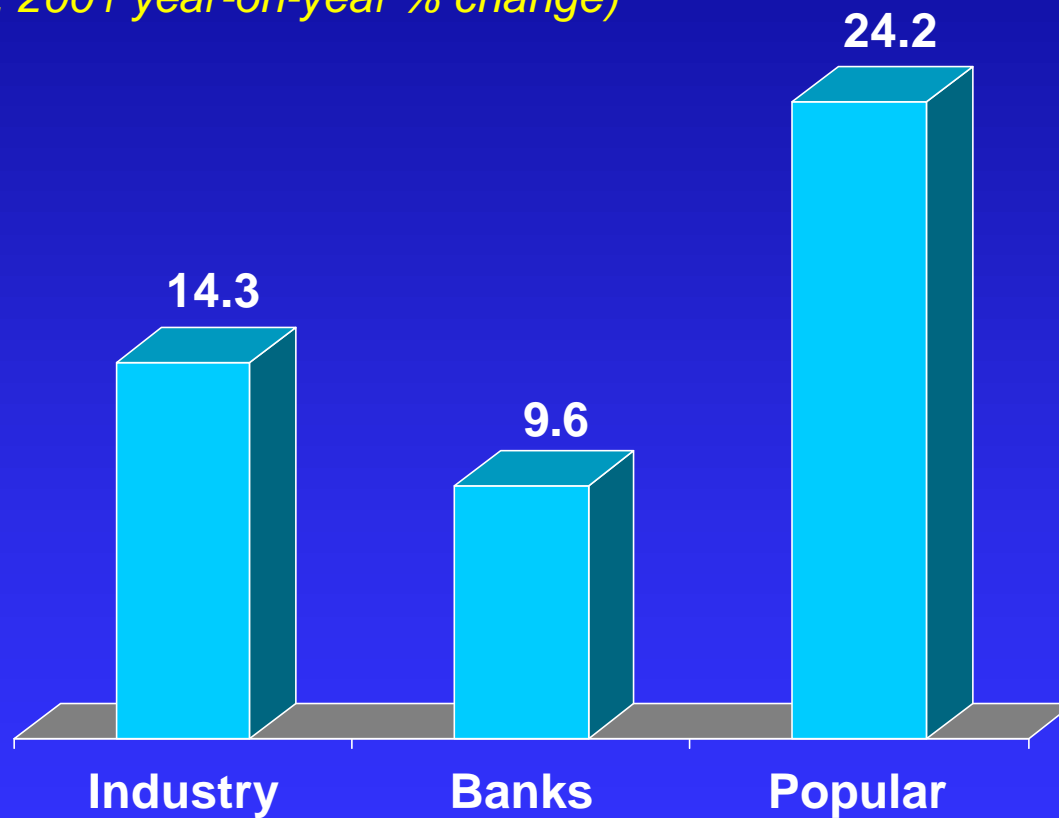
- Most Favourable Conditions for Banco Popular's Market Share Growth
- Bad Conditions for Mutual Funds
- Strong Customer Deposit Demand
- Still Strong Credit Demand



## Jump to MARKET OPPORTUNITIES

### LOANS OF PRIVATE-SECTOR RESIDENTS

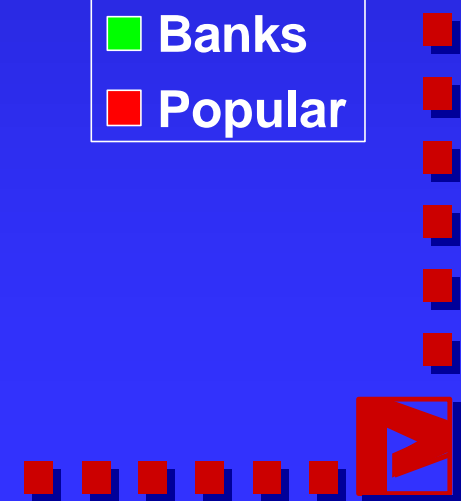
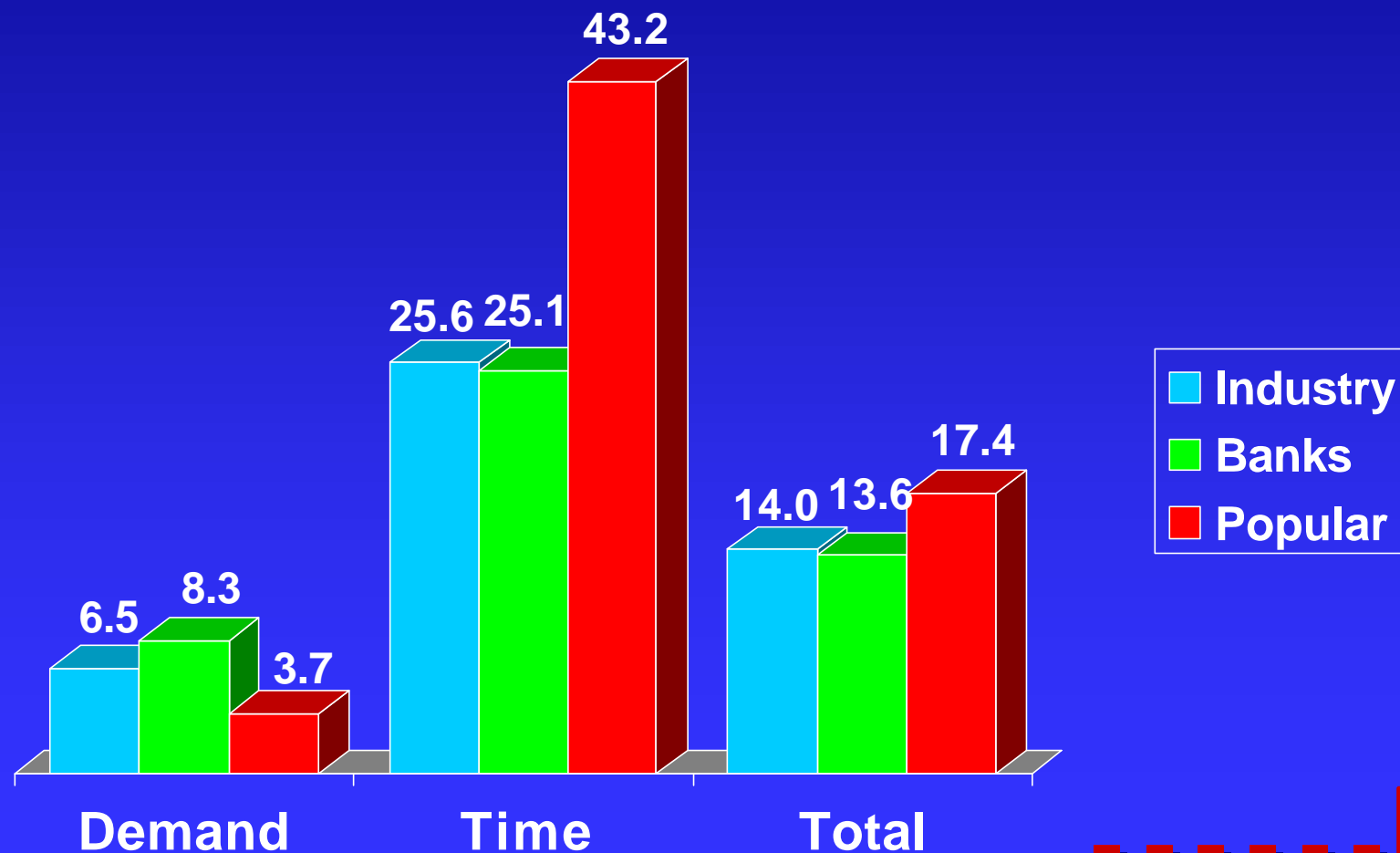
*(February 28, 2001 year-on-year % change)*



# Jump to MARKET OPPORTUNITIES

## GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

*(February 28, 2001 year-on-year % change)*



## Reaction to MARKET OPPORTUNITIES

- The Bank Must Give Priority to Availing of Advantageous Conditions for Further Expansion
- We Can Better Absorb Now the Expenses of an Accelerated Expansion

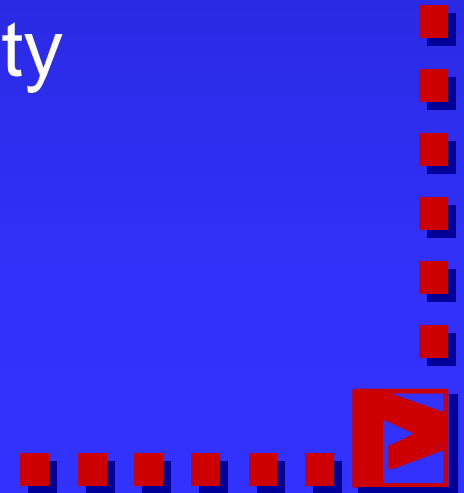




## Short term GUIDELINES

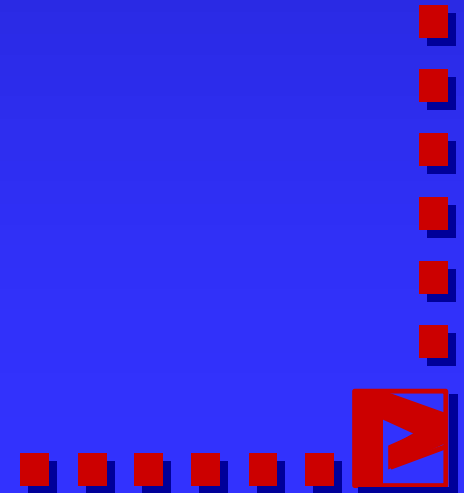
➔ Speed up Market Share Growth

- Maintain Profitability
- Maintain High Asset Quality



## SPEED UP GROWTH

- Accelerate Network Expansion
- Step up Marketing Efforts
- Further Upgrade IT Tools for:
  - ↳ Marketing
  - ↳ Customer Service
  - ↳ Productivity Increase

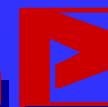


## NETWORK EXPANSION

|           | <u>March 01</u> | <u>March 00</u> | <u>%</u> |
|-----------|-----------------|-----------------|----------|
| Branches  | 2,106           | 2,022           | 4.2      |
| ATMs      | 2,945           | 2,511           | 17.3     |
| Cards     | 3,478,085       | 2,311,564       | 50.5     |
| Customers | 4,048,508       | 3,704,747       | 9.3      |

### Standalone e-bank

|                    | <u>March 01</u> | <u>July 00</u><br><i>(Inception)</i> |
|--------------------|-----------------|--------------------------------------|
| Products           | 89              | 52                                   |
| Services           | 69              | 61                                   |
| Total transactions | 158             | 113                                  |



# MARKETING EFFORTS

**2000  
Actual**

188 Systematic  
Client Campaigns



Pension Plans  
Club Senior (Pensioners)  
Consumer Loans  
Highyield Notes Payable  
Underaged & Young Savings Scheme  
Intensive dr. & cr. Cards Placement

**2001  
Targets**

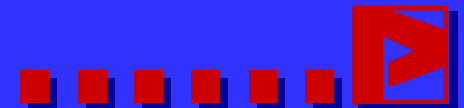
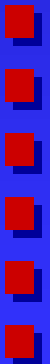
244 Campaigns  
and targeting



INDIVIDUALS  
(30)

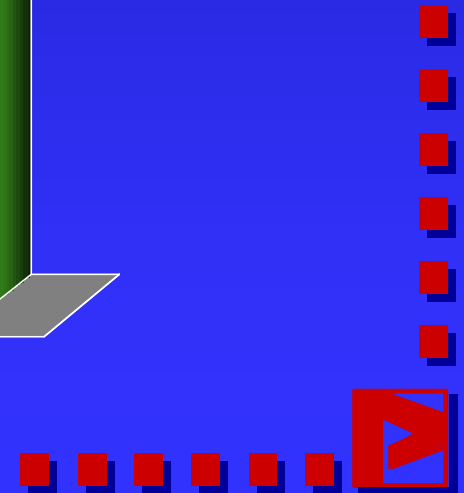
Mortgage  
Consumer  
Deposit Accounts  
Pension Plans...

AFFINITY  
GROUPS  
(214)



# MARKETING EFFORTS

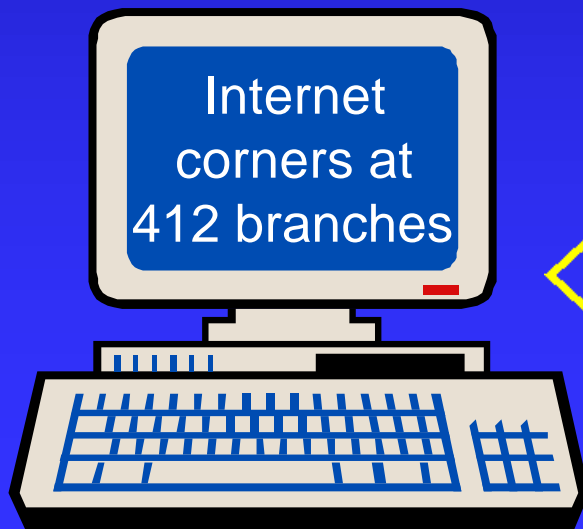
## NET NEW CLIENTS



# MARKETING EFFORTS

## Internet as multichannel

|                         | <u>March 01</u> | <u>March 00</u> | <i>Target</i><br><u>Dec.01</u> |
|-------------------------|-----------------|-----------------|--------------------------------|
| Number of users         | 457,023         | 143,216         | 690,000                        |
| % of total transactions | 5%              |                 | 8-10%                          |



30,000  
Direct Marketing  
Follow-through  
Calls



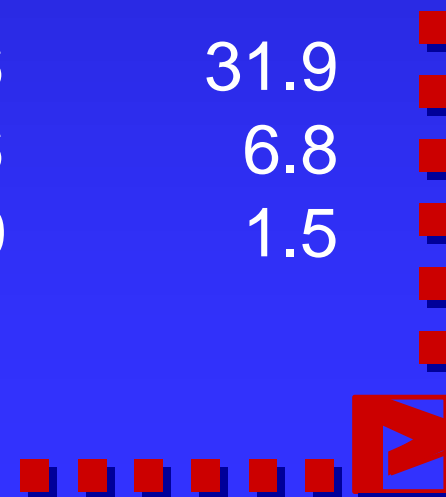
## UPGRADING OF IT TOOLS

- **Client's profitability and financial background.**
- **Interactive loan granting with credit scoring and authorization management.**
- **Tailor-made offering of products and services (marketing one-to-one).**
- **Electronic management of sales campaigns with use of data-mining in client selection.**



## FOUNDATIONS OF COMMERCIAL SPREE

|                                | Market share<br>(As of 31/12/00) | Growth rate<br>(As of 31/3/01) | As % of Loan Portfolio<br>(As of 31/3/01) |
|--------------------------------|----------------------------------|--------------------------------|---|
| Bill discounting               | 10.1                             | 19.1                           | 16.2                                      |
| Mortgage loans                 | 3.3                              | 28.2                           | 38.4                                      |
| Personal loans &<br>overdrafts | 4.1                              | 19.6                           | 31.9                                      |
| Leasing                        | 17.4                             | 25.6                           | 6.8                                       |
| Factoring                      | 6.7                              | 249.0                          | 1.5                                       |

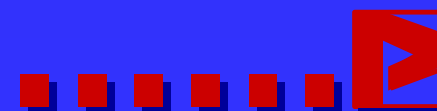




# FOUNDATIONS OF COMMERCIAL SPREE

## ENHANCING CORE PRODUCTS SPREAD

|                         | Dec 99/<br>Mar 00 | Dec 99/<br>Jun 00 | Dec 99/<br>Sep 00 | Dec 99/<br>Dec 00 | Dec 99/<br>Mar 01 |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Bill discounting</b> | 0.09              | 0.34              | 0.89              | 1.27              | 1.20              |
| <b>Mortgages</b>        | 0.04              | 0.22              | 0.49              | 0.82              | 1.12              |
| <b>Consumer</b>         | 0.20              | 0.43              | 0.69              | 1.02              | 1.16              |
| <b>Overdrafts</b>       | 0.10              | 0.39              | 0.80              | 1.14              | 1.28              |
| <b>Leasing</b>          | 0.02              | 0.13              | 0.40              | 0.80              | 0.96              |
| <b>TOTAL</b>            | <b>0.08</b>       | <b>0.30</b>       | <b>0.65</b>       | <b>0.99</b>       | <b>1.14</b>       |
| <b>Demand Deposits</b>  | 0                 | 0.07              | 0.15              | 0.32              | 0.34              |
| <b>Time Deposits</b>    | 0.32              | 0.45              | 1.01              | 1.45              | 1.59              |
| <b>Commercial Paper</b> | 0.06              | 0.77              | 1.14              | 1.46              | 1.23              |
| <b>TOTAL</b>            | <b>0.16</b>       | <b>0.29</b>       | <b>0.62</b>       | <b>0.97</b>       | <b>1.13</b>       |



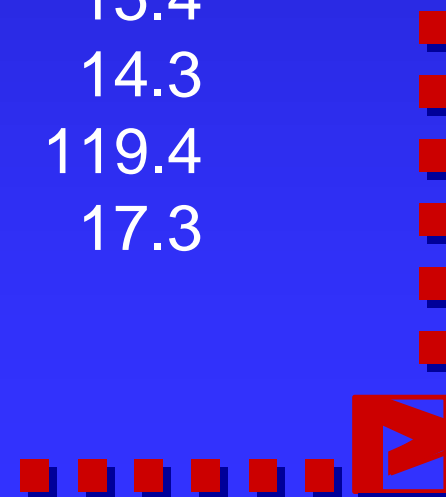
# FOUNDATIONS OF COMMERCIAL SPREE

## OTHER KEY PRODUCTS

|                      | Market share<br>(As of 31/12/00) | Growth rate<br>(As of 31/3/01) |
|----------------------|----------------------------------|--------------------------------|
| Pension funds*       | 8.0                              | 19.8                           |
| Mutual funds         | 3.3                              | (16.8)                         |
| Debit cards          | 14.1 (**)                        | 15.4                           |
| Credit cards         | 15.3 (**)                        | 14.3                           |
| Private & Fuel cards | n.a.                             | 119.4                          |
| ATMs                 | 6.3                              | 17.3                           |

(\*) Assets in private/individual accounts

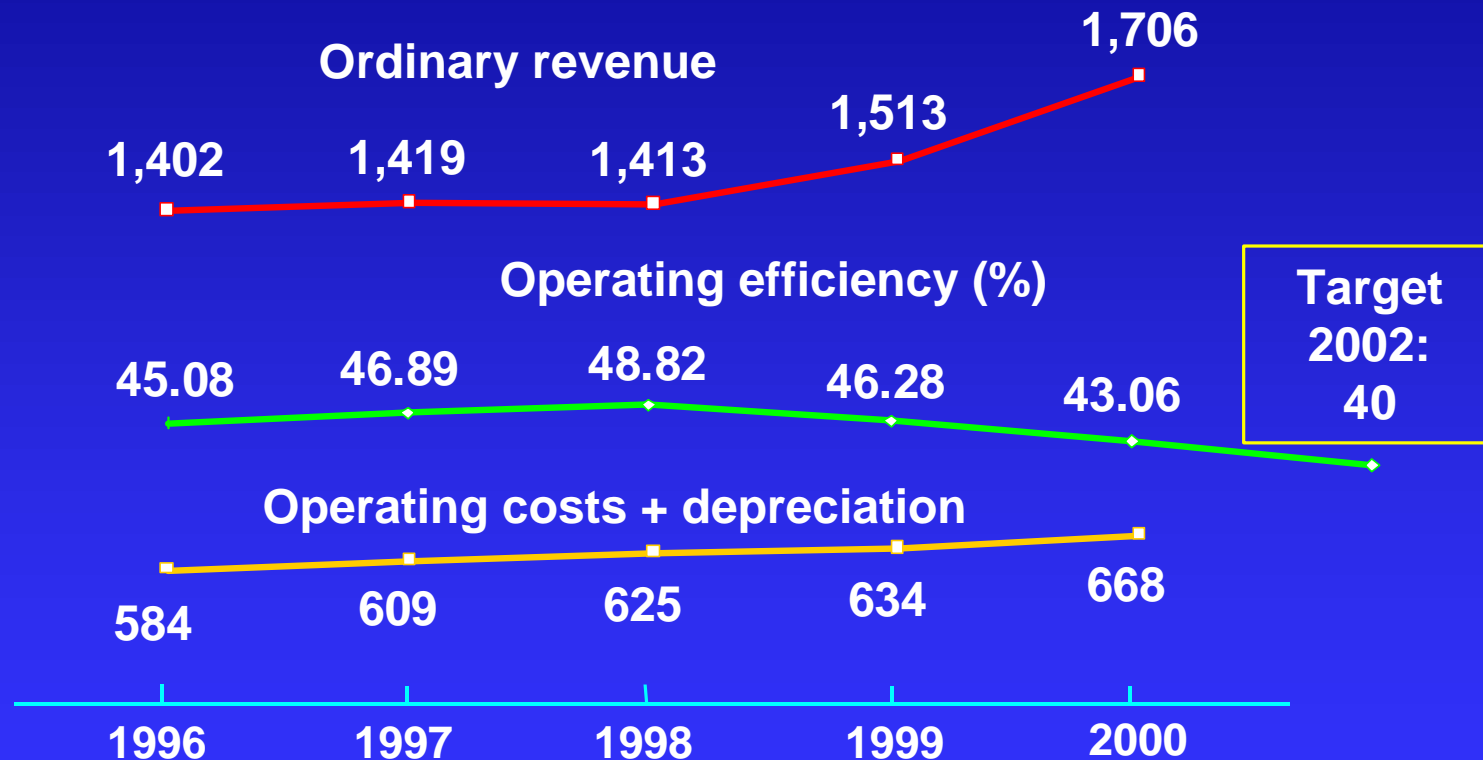
(\*\*) As % of 4B system



# FOUNDATIONS OF COMMERCIAL SPREE

## COST/INCOME RATIO

*(Euro million)*

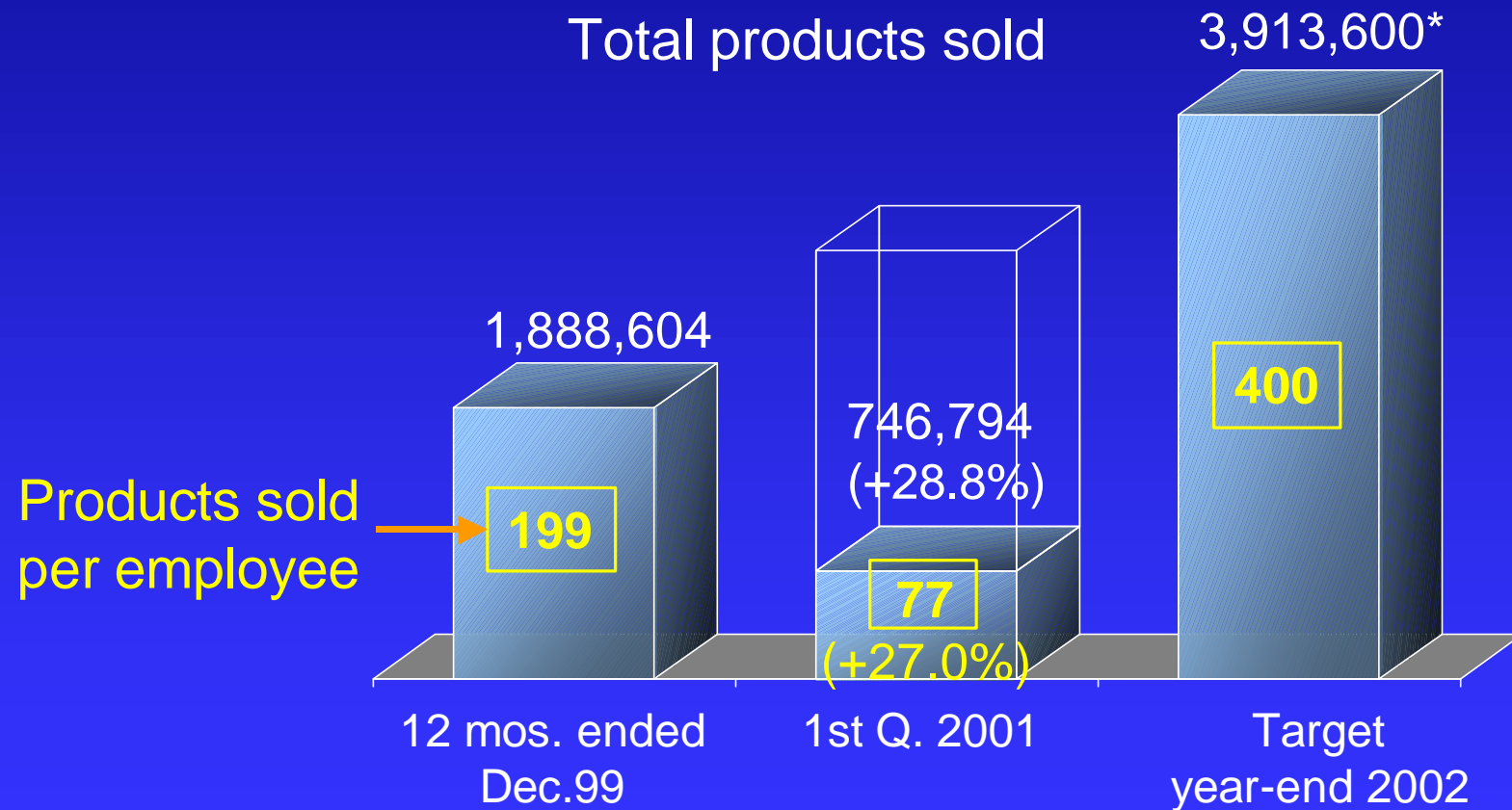


i.e., to improve cost/income 100 basis points/year

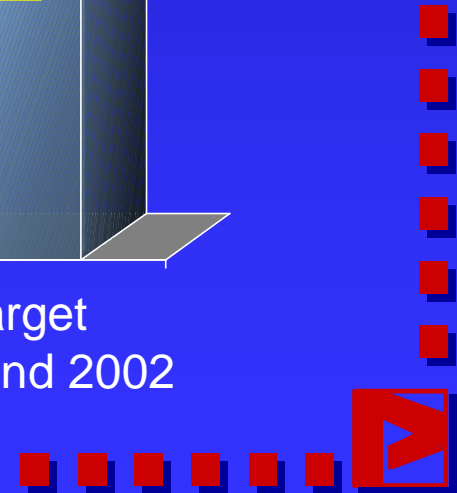


# FOUNDATIONS OF COMMERCIAL SPREE

DOUBLE EMPLOYEE PRODUCTIVITY OVER THREE YEARS  
(products sold per employee/year)



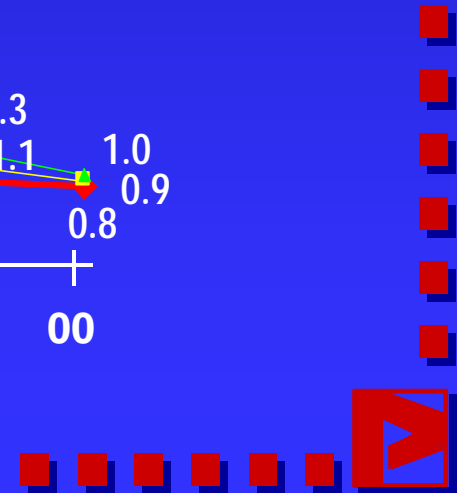
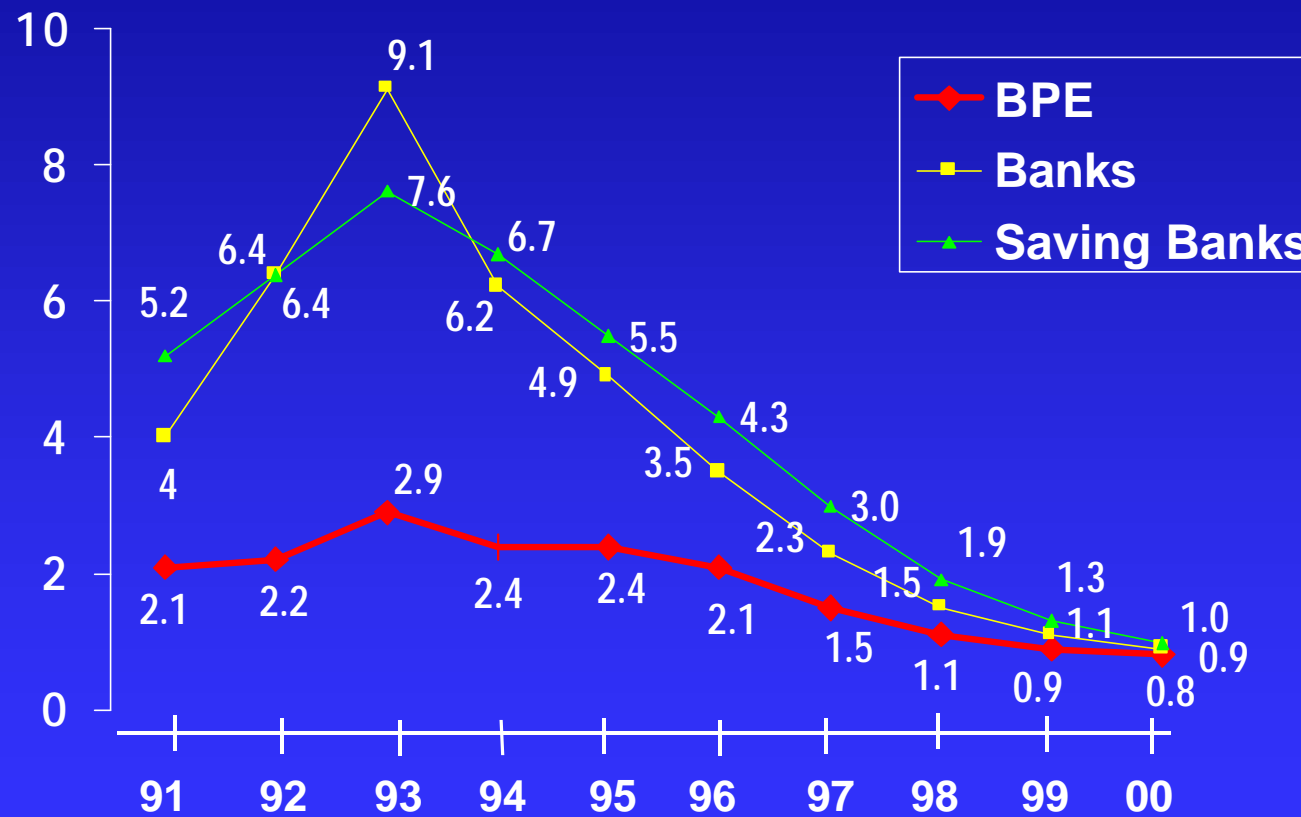
\* Without variation of the number of employees



# FOUNDATIONS OF COMMERCIAL SPREE

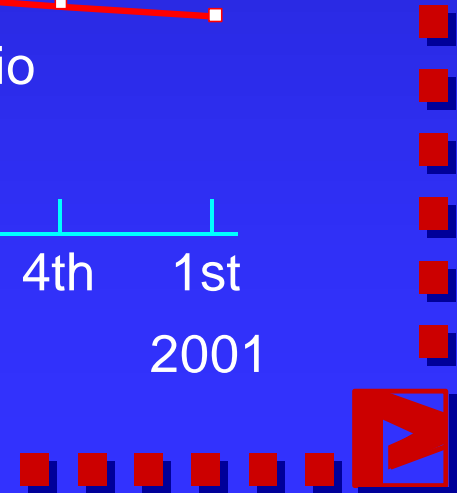
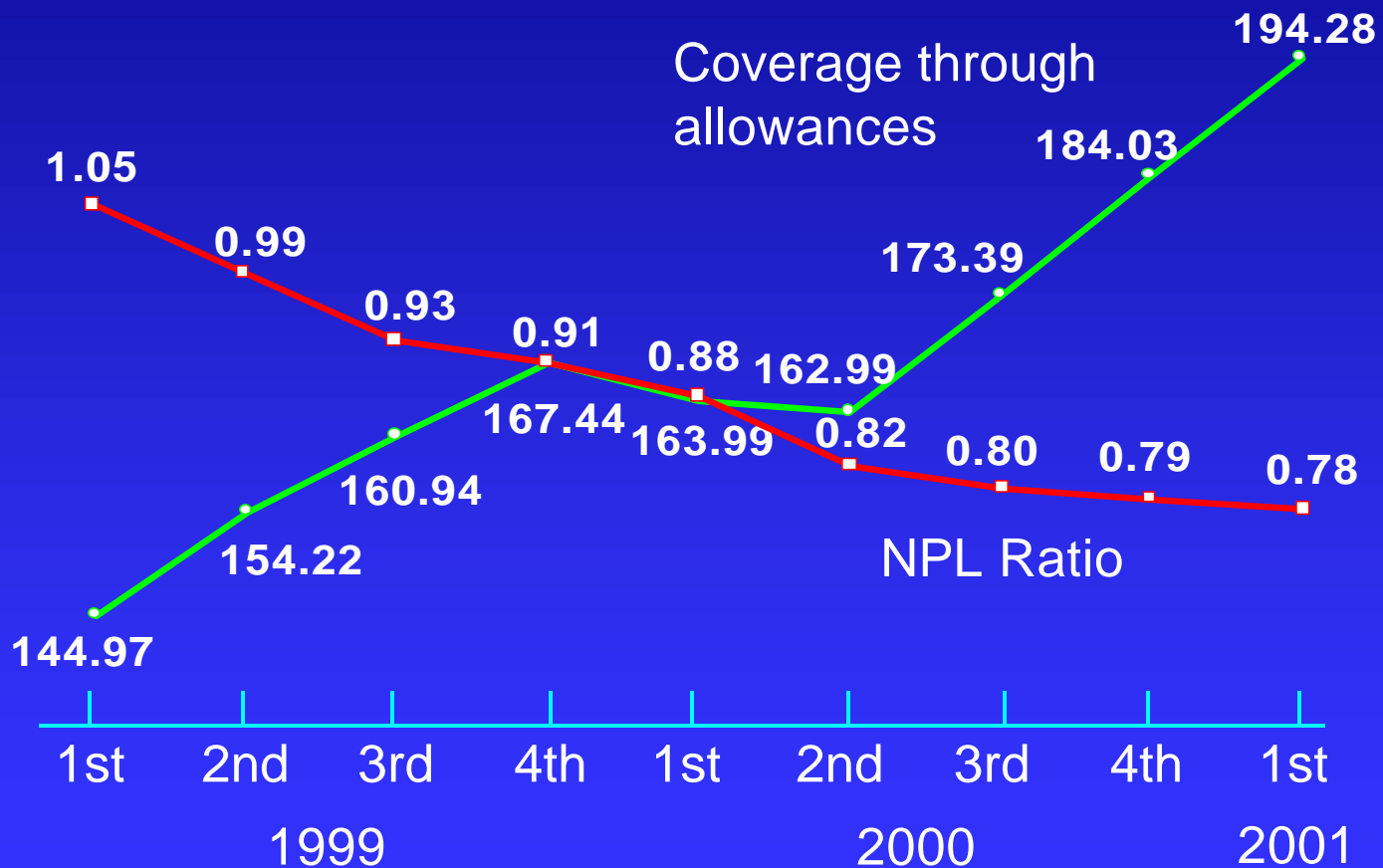
## LOAN PORTFOLIO QUALITY

Gross NPLs



# FOUNDATIONS OF COMMERCIAL SPREE

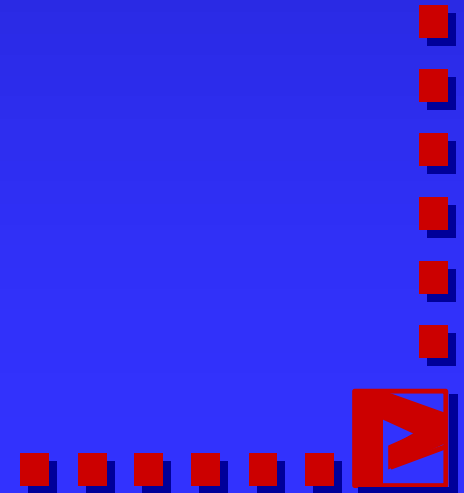
## RISK MANAGEMENT



# FOUNDATIONS OF COMMERCIAL SPREE

## ASSETS THAT DRIVE VALUE

- Customers
- Employees
- Organization
- Financial



# ASSETS THAT DRIVE VALUE

## CUSTOMERS

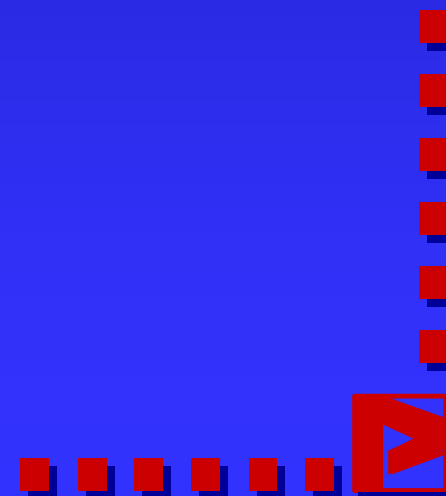
(31/03/01)

**Total clients**  
4,048,508

**Individuals**  
3,742,070

**Corporates**  
306,438

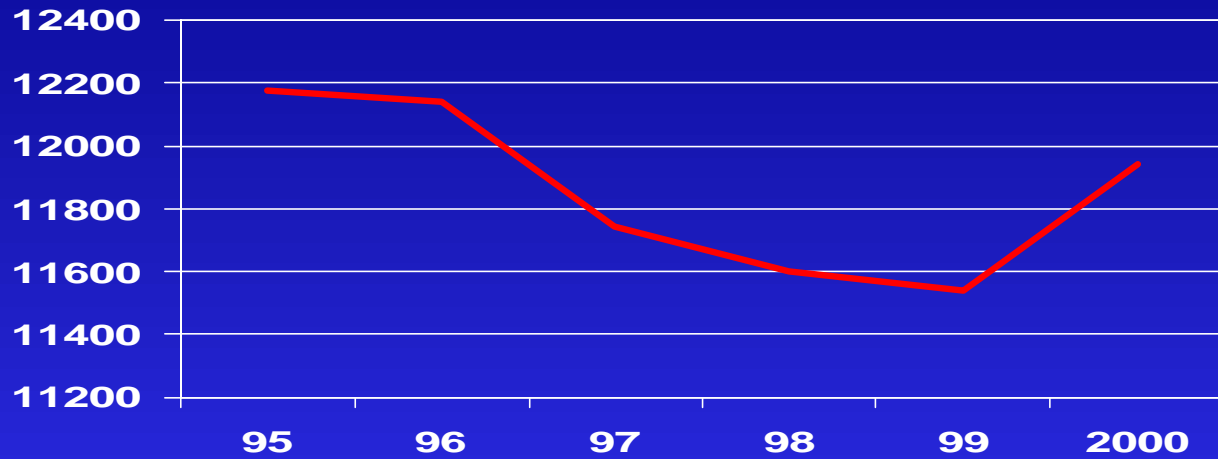
**Includes 82 homogeneous  
professional groups**  
346,258  
and  
**38 homogeneous  
small co. groups**  
41,426



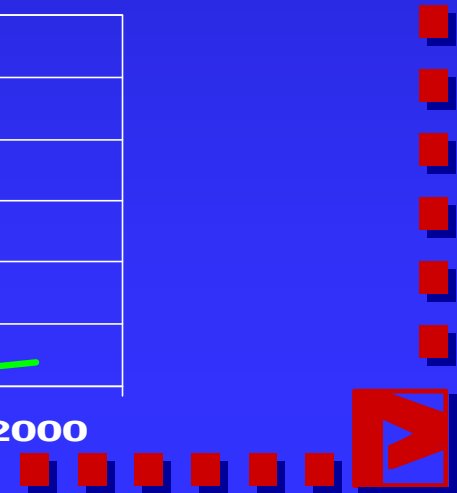
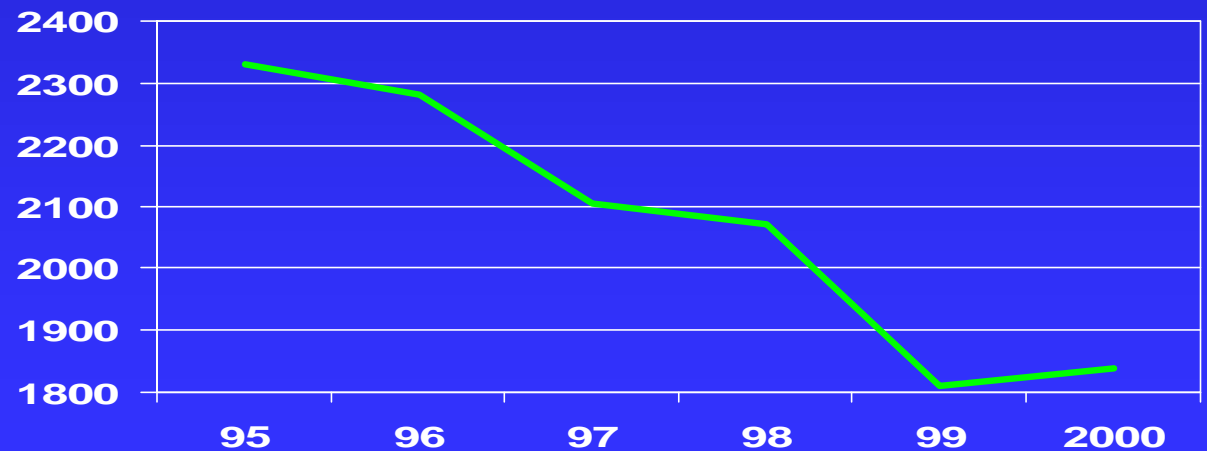


# ASSETS THAT DRIVE VALUE

## STAFF EVOLUTION

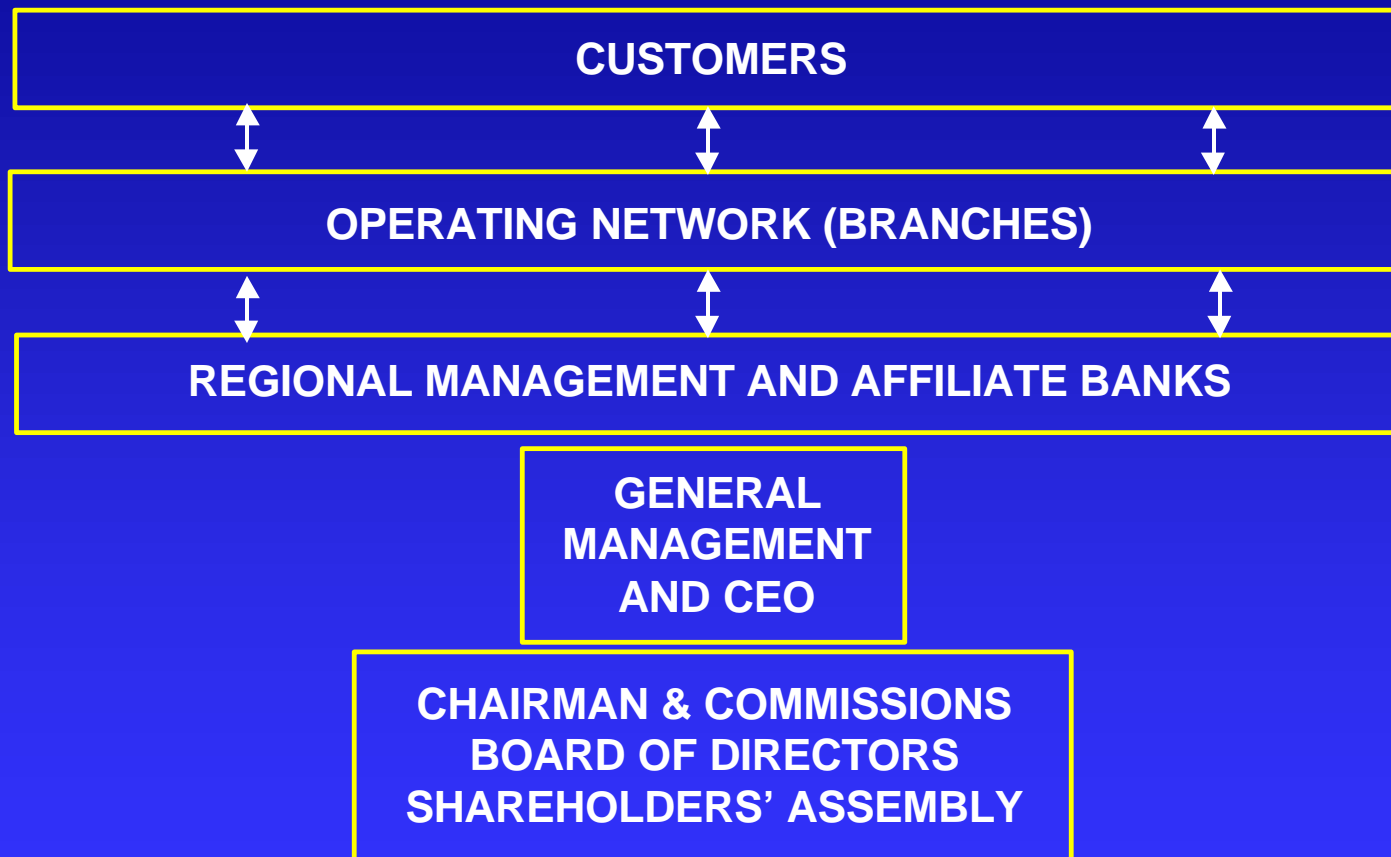


## STAFF AT HEADQUARTERS EVOLUTION

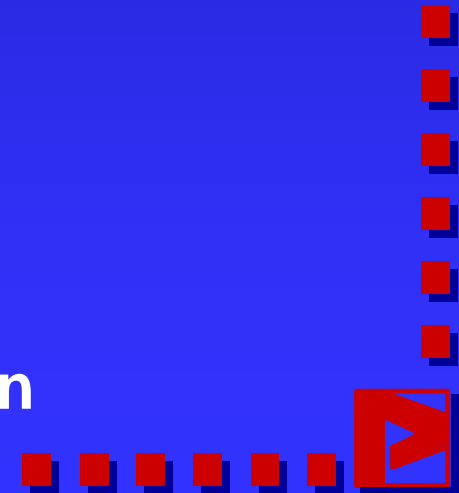


# ASSETS THAT DRIVE VALUE

## ORGANIZATION



Flat & Client oriented organization



# ASSETS THAT DRIVE VALUE

## FINANCIAL

*(% of Total Assets)*

Dec. 31, 2000

Popular

Industry Av.

Interest Earning Assets

95 %

88 %

Loans to Credit Institutions

17 %

18 %

**Loans to Clients**

**73 %**

**49 %**

Bonds

5 %

21 %

Interest Bearing Liabilities

87 %

84 %

Debt with Credit Institutions

15 %

23 %

**Deposits**

**66 %**

**55 %**

Debt Evidenced by Securities

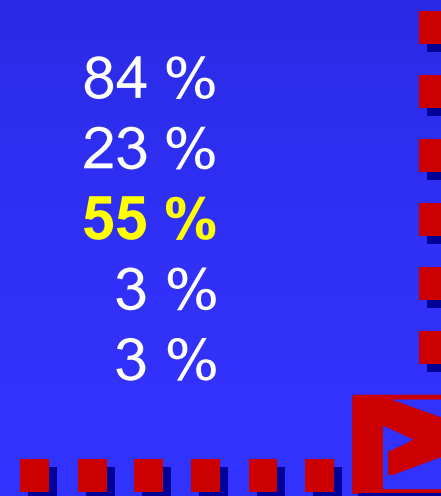
4 %

3 %

Subordinated Debt

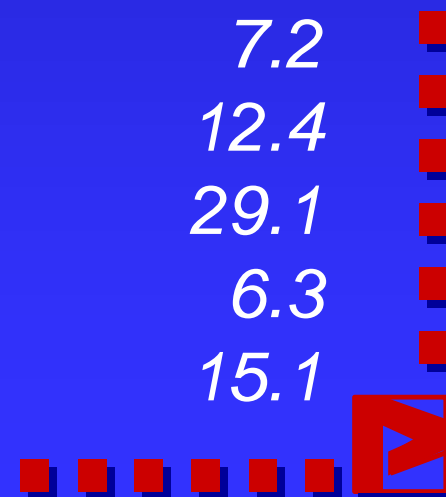
2 %

3 %



## RECENT OPERATING PERFORMANCE

| <i>(March 31, 2001)</i> | Euro<br>million | Year-on-year<br>% change | <i>Homogeneous</i><br>% annual<br>change |
|-------------------------|-----------------|--------------------------|--|
| Net interest revenue    | 329             | 21.1                     | 21.1                                     |
| Fees for services       | 144             | 14.4                     | 14.4                                     |
| Ordinary revenue        | 486             | 19.0                     | 19.0                                     |
| Operating costs:        | 183             | 13.9                     | 8.6                                      |
| Personnel expenses      | 133             | 14.5                     | 7.2                                      |
| Other                   | 50              | 12.4                     | 12.4                                     |
| Operating income        | 276             | 24.5                     | 29.1                                     |
| Income before taxes     | 210             | 6.3                      | 6.3                                      |
| Net income attributable | 137             | 15.1                     | 15.1                                     |



# RECENT OPERATING PERFORMANCE

## NET INTEREST REVENUE

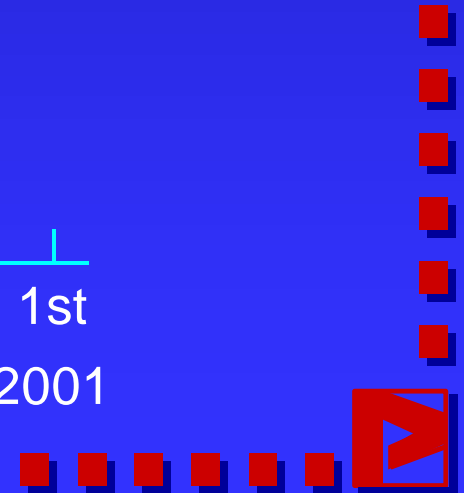
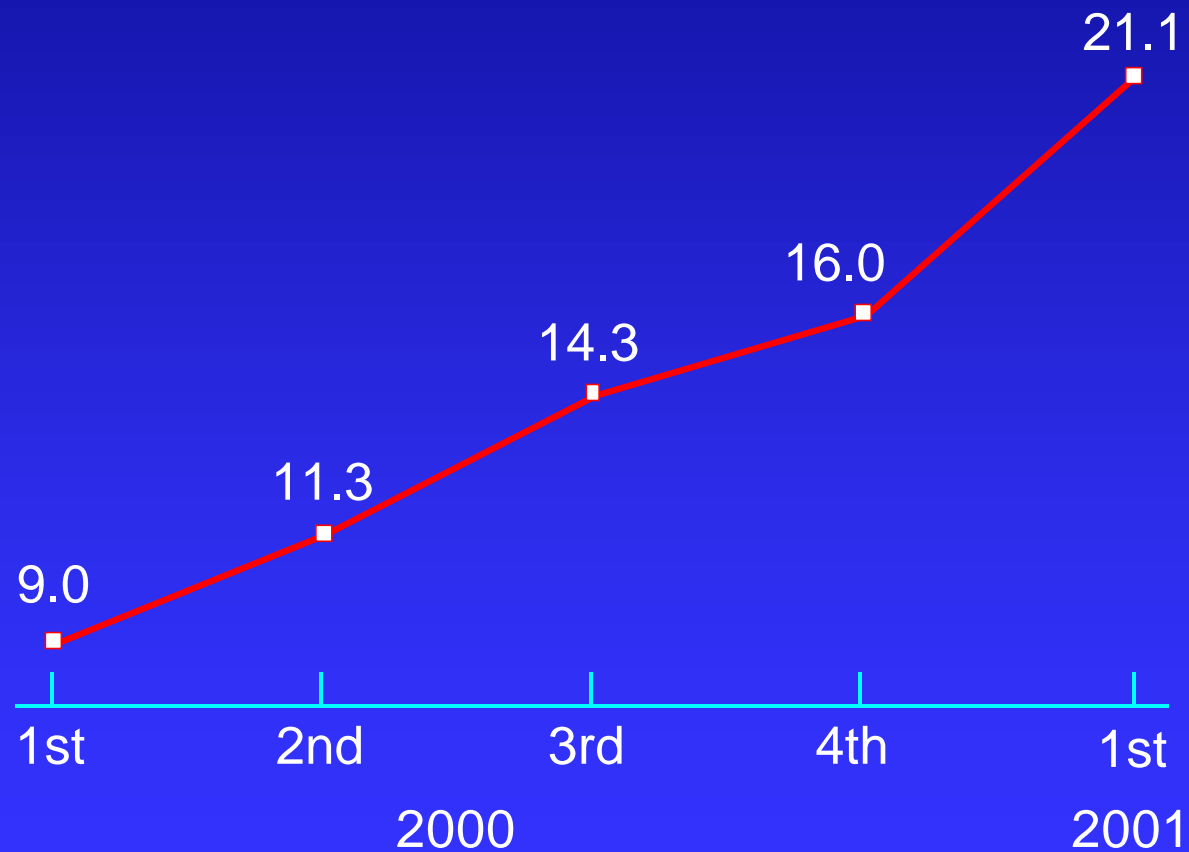
*(Euro million)*



# RECENT OPERATING PERFORMANCE

## NET INTEREST REVENUE

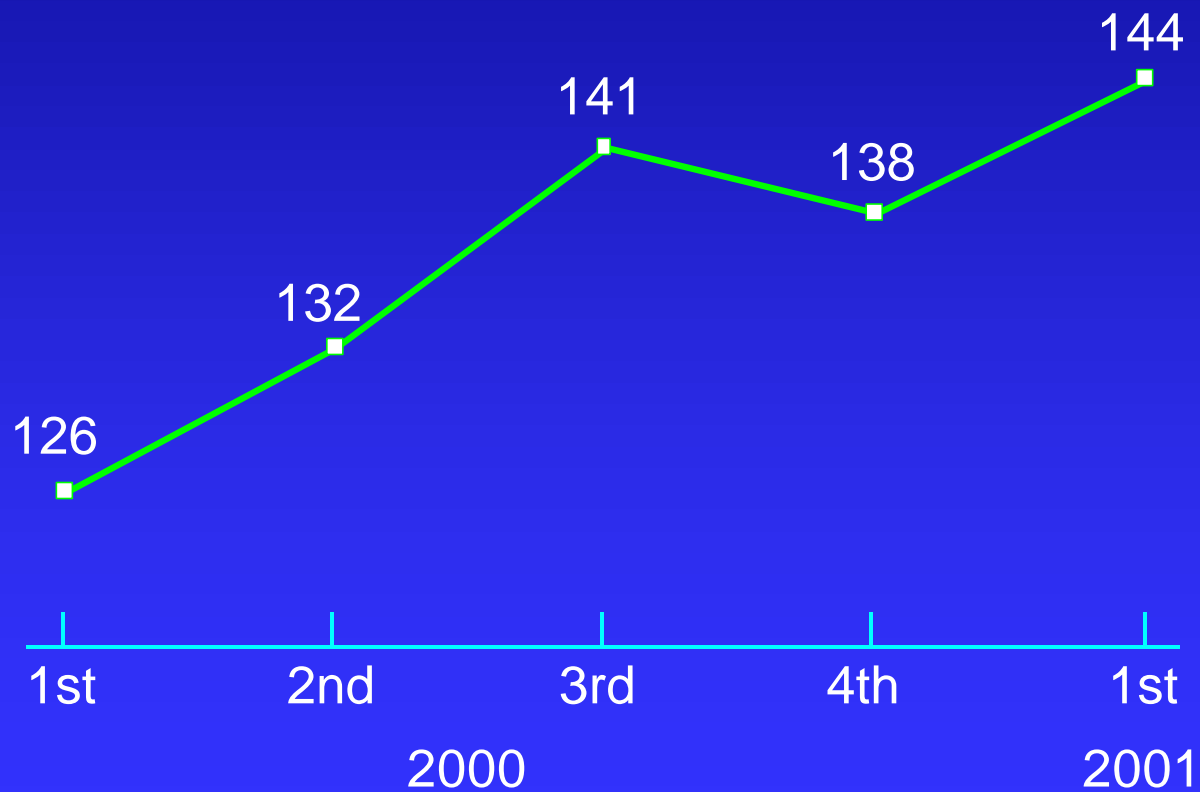
*(Year-on-year quarter standalone % change)*



# RECENT OPERATING PERFORMANCE

## FEEES FOR SERVICES

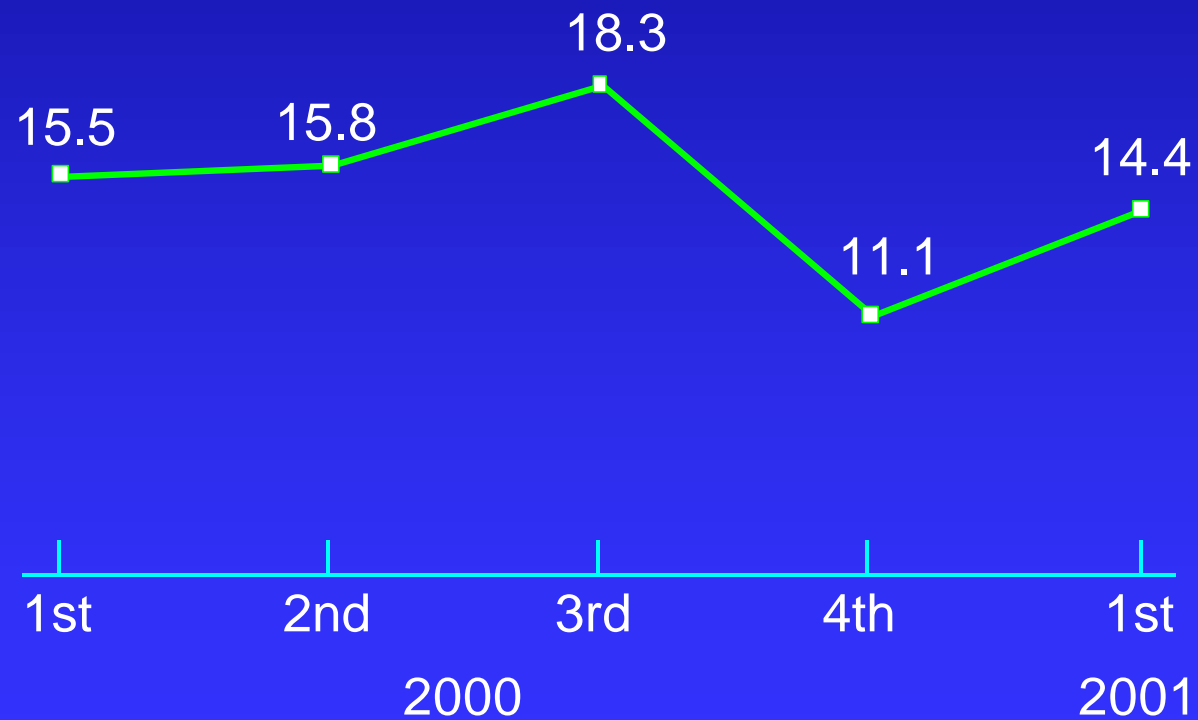
*(Euro million)*



# RECENT OPERATING PERFORMANCE

## FEEs FOR SERVICES

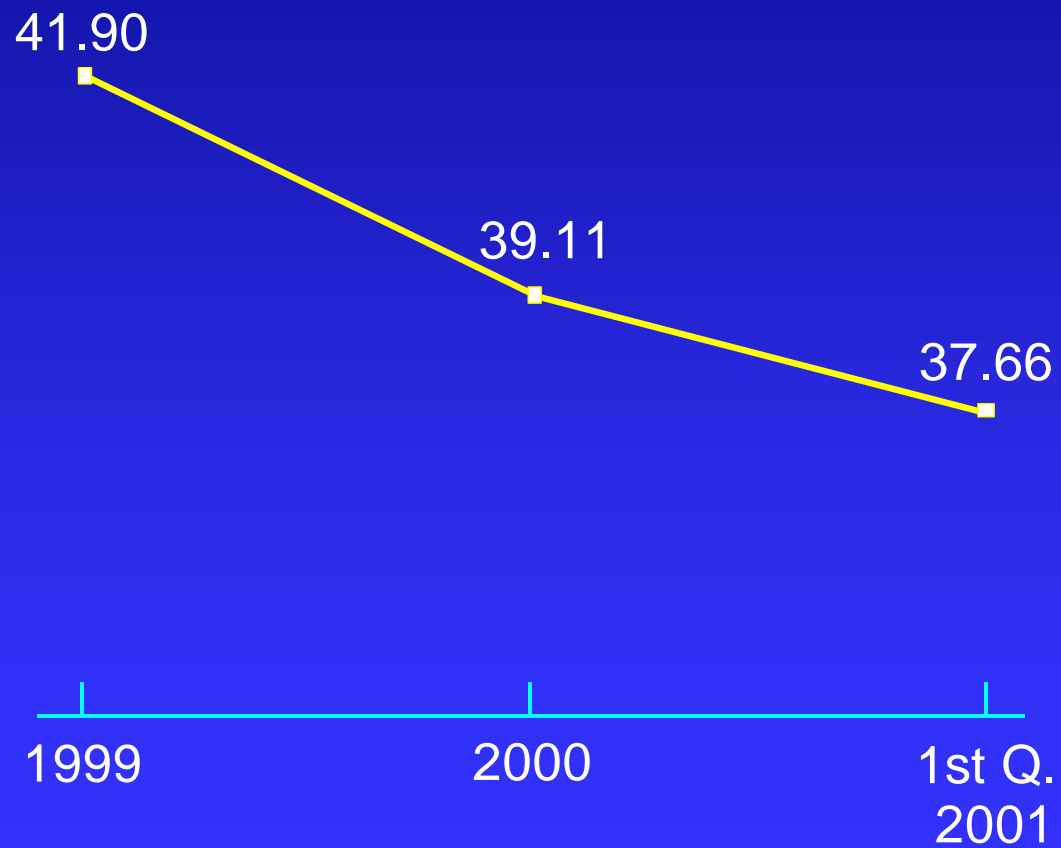
*(Year-on-year quarter standalone % change)*





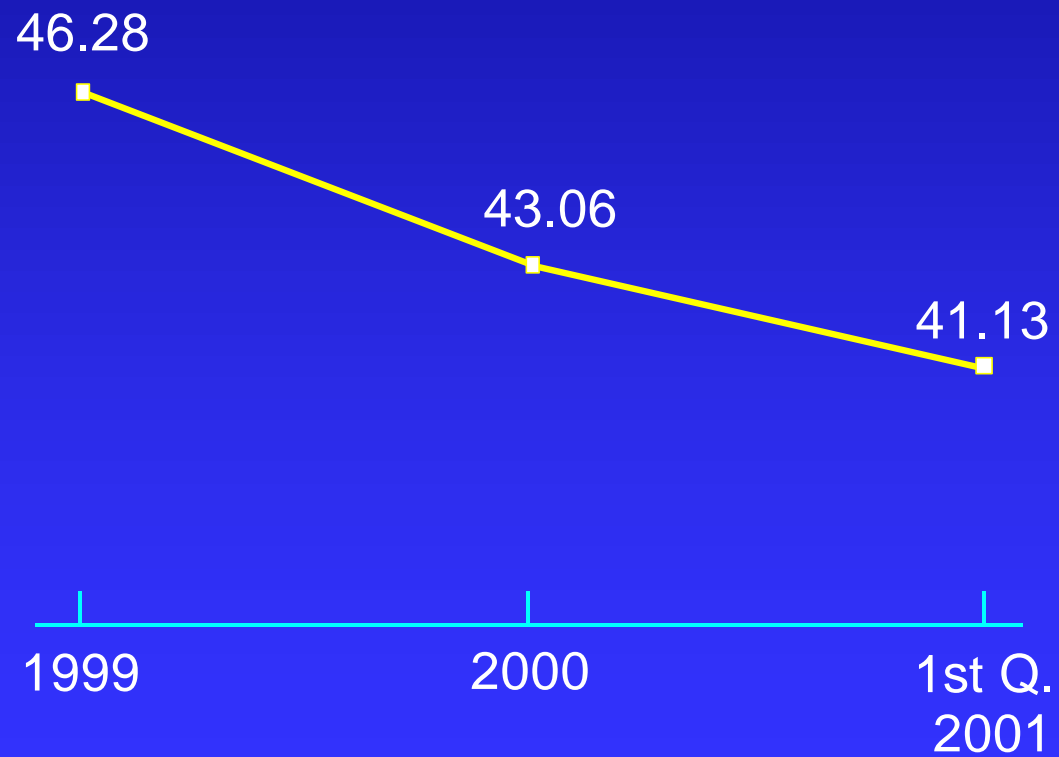
# RECENT OPERATING PERFORMANCE

## COST/INCOME RATIO



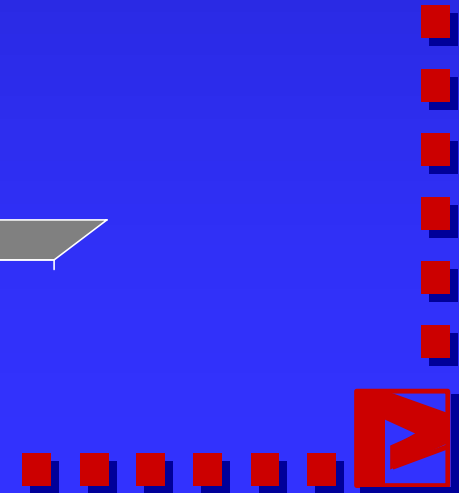
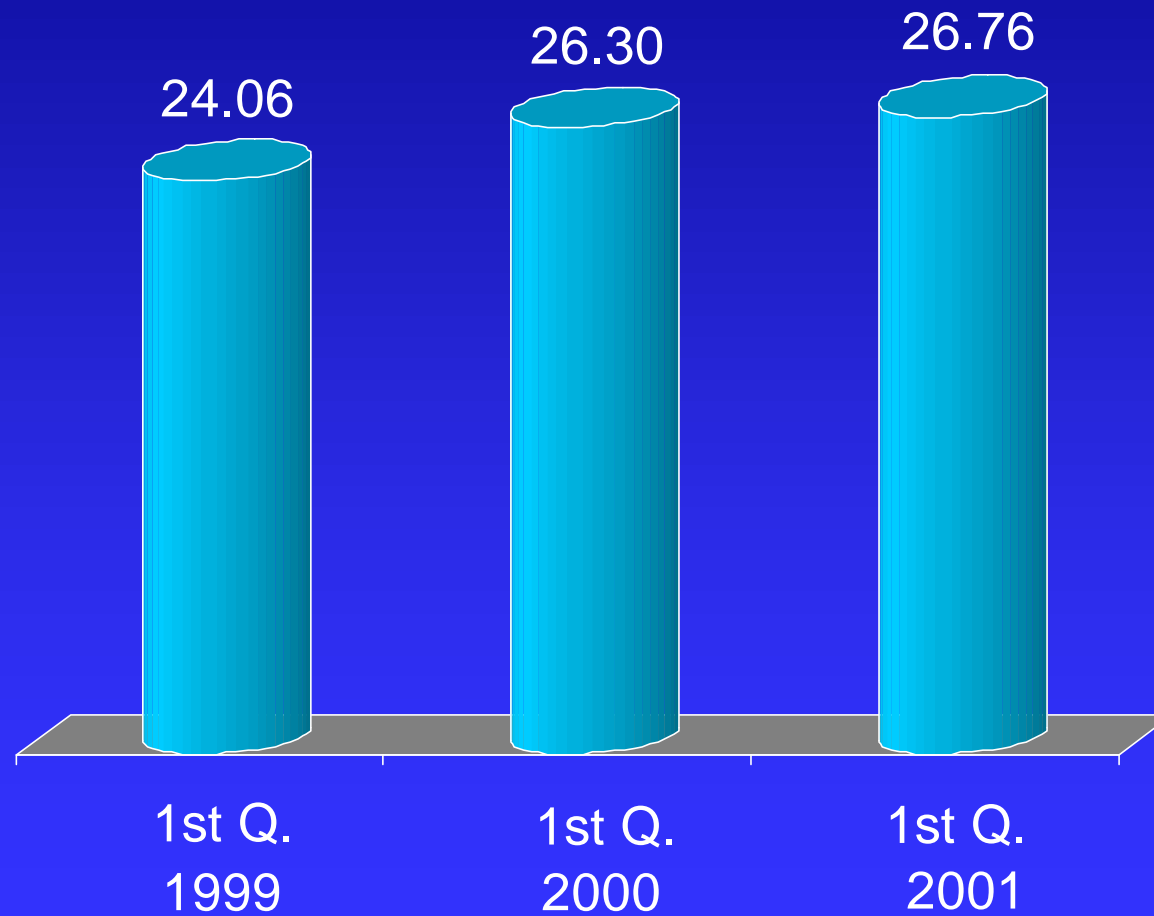
## RECENT OPERATING PERFORMANCE

### COST/INCOME RATIO (DEPRECIATION)



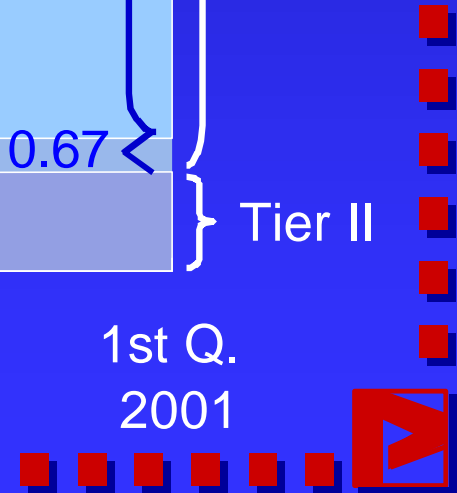
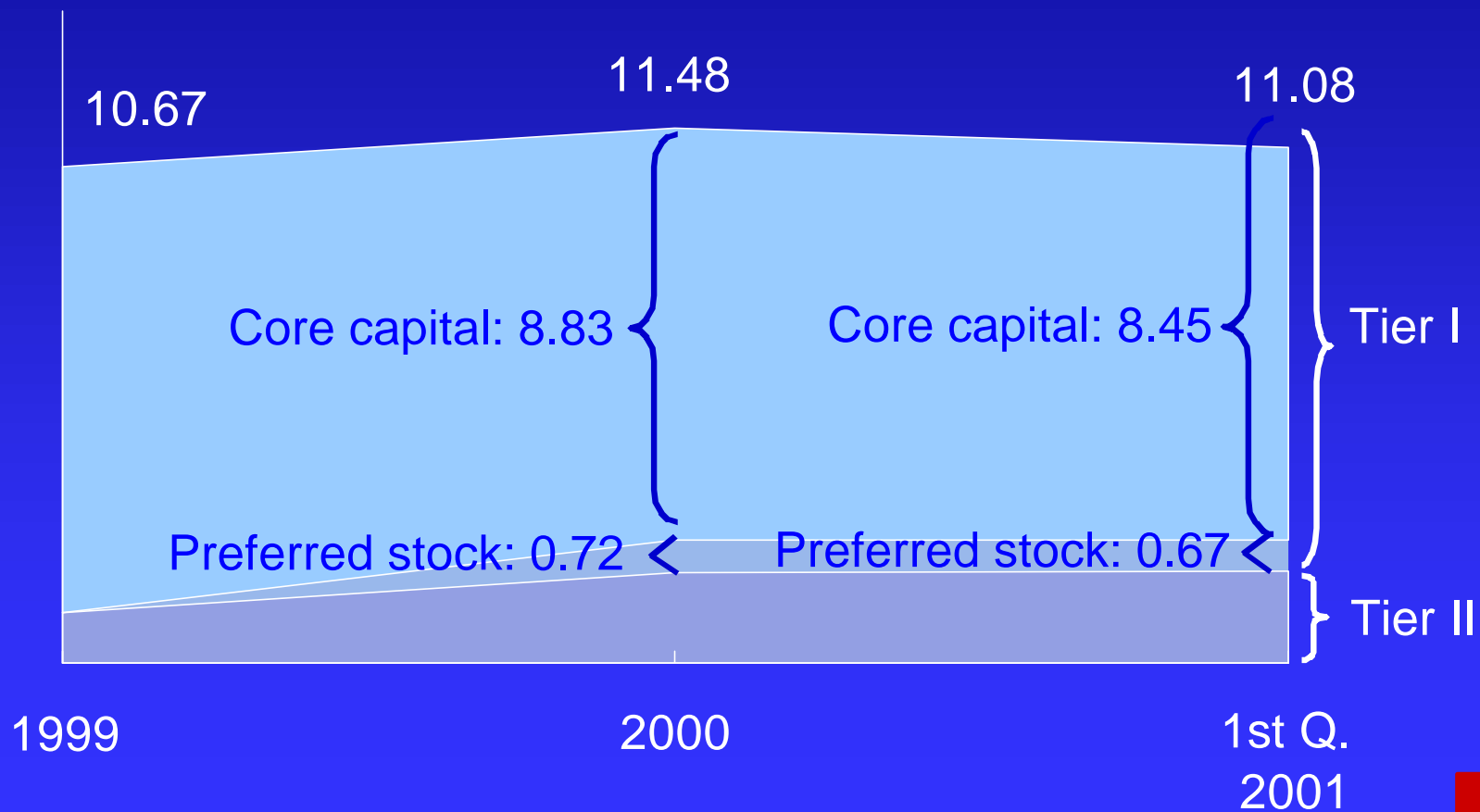
# RECENT OPERATING PERFORMANCE

ROE (%)



# RECENT OPERATING PERFORMANCE

## BIS RATIO (%)



# RECENT OPERATING PERFORMANCE

## FEEES FOR SERVICES

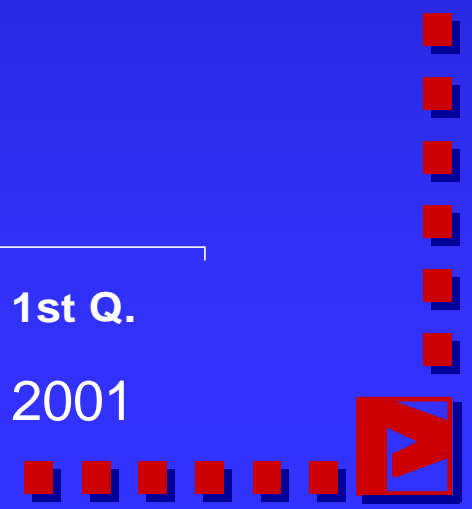
| <i>(Year-on-year % change)</i> | March<br>2001 | As % of<br>Total Fees | March<br>2000 |
|--------------------------------|---------------|-----------------------|---------------|
| <b>Total Service Revenues</b>  | <b>14.4</b>   | <b>100.0</b>          | <b>15.5</b>   |
| Loan-related fees              | 32.9          | 13.1                  | 25.9          |
| Fees from guarantees           | 16.8          | 8.0                   | 10.5          |
| Collection & payment handling  | 20.4          | 36.8                  | 17.5          |
| Customer financial asset mgt.  | (1.9)         | 31.1                  | 13.6          |
| Mutual funds                   | (19.2)        | 16.7                  | 3.3           |
| Other                          | 30.5          | 14.4                  | 39.5          |
| Account mgt. fees and other    | 30.7          | 11.0                  | 8.6           |



# RECENT OPERATING PERFORMANCE

## ON-BALANCE SHEET ASSETS

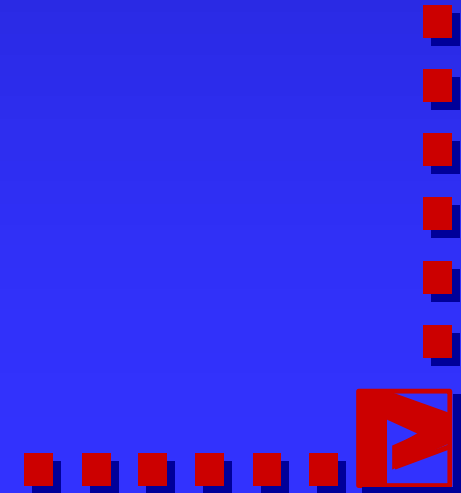
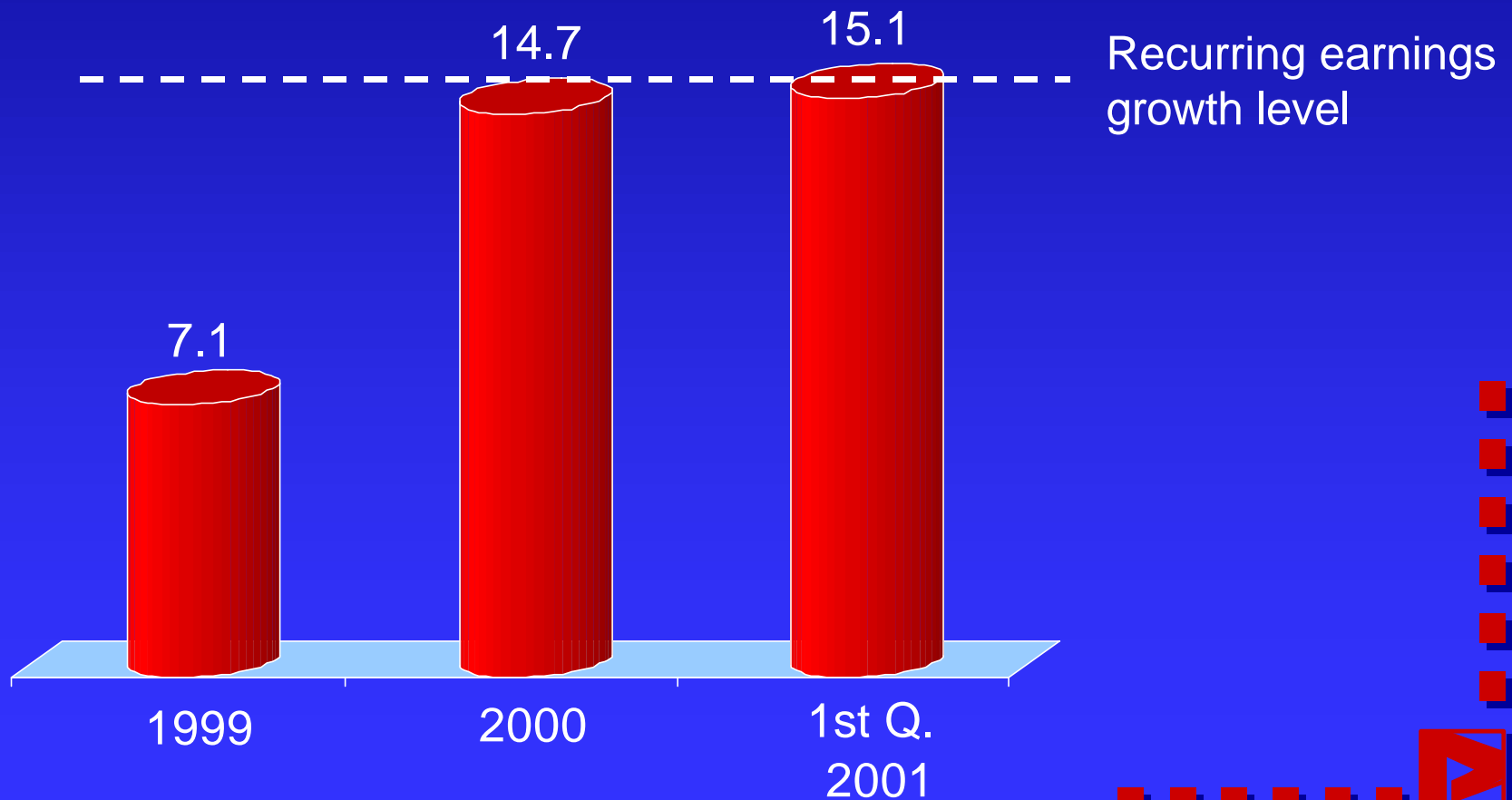
*(Year-on-year % change)*



# RECENT OPERATING PERFORMANCE

EPS

*(Year-on-year % change)*



# BANCO POPULAR ESPAÑOL

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