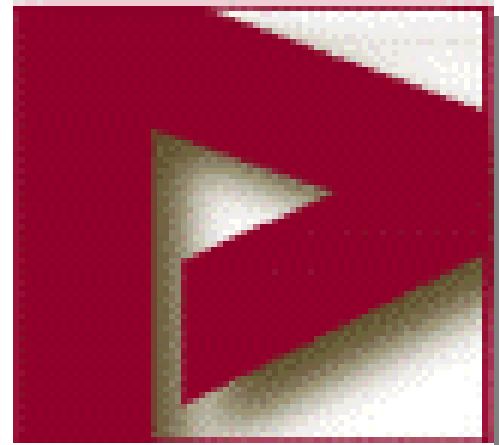


Banco Popular

Against the current

October 2002



STRATEGY



Optimise short term performance



Build up medium term momentum

STRATEGY

Optimise short term performance

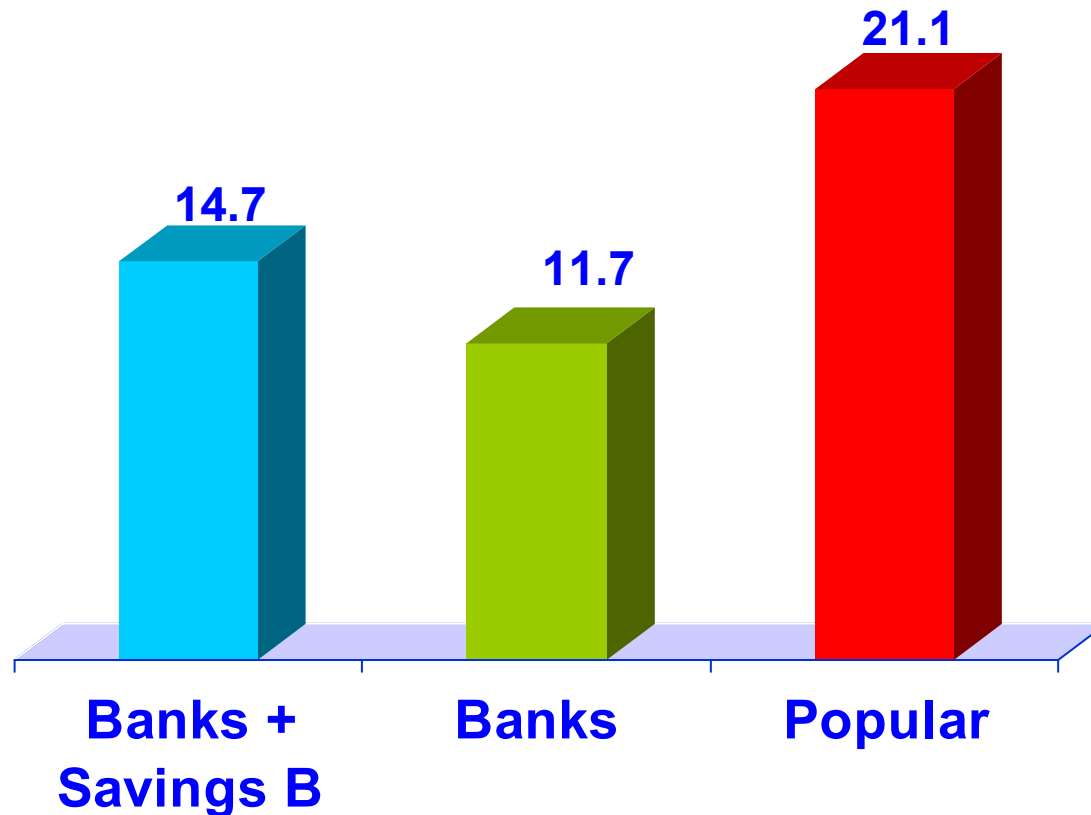
- ➔ **Main gauge: cost/income ratio**
fast revenues growth
slower cost growth
- ➔ **Close credit quality monitoring**

STRATEGY

Optimise short term performance

LOANS OF PRIVATE-SECTOR RESIDENTS

(August 31, 2002 year-on-year % change)



STRATEGY

Optimise short term performance

CORE LOAN BUSINESS (Residents only)

(Accumulated % change)

| | June | September |
|----------------------------------|-------------|-------------|
| Bill discounting | (4.1) | (6.0) |
| Mortgage | 31.7 | 35.3 |
| Personal & overdrafts | 7.3 | 8.1 |
| Leasing | 11.6 | 9.2 |
| TOTAL CORE LOAN PORTFOLIO | 15.2 | 17.0 |

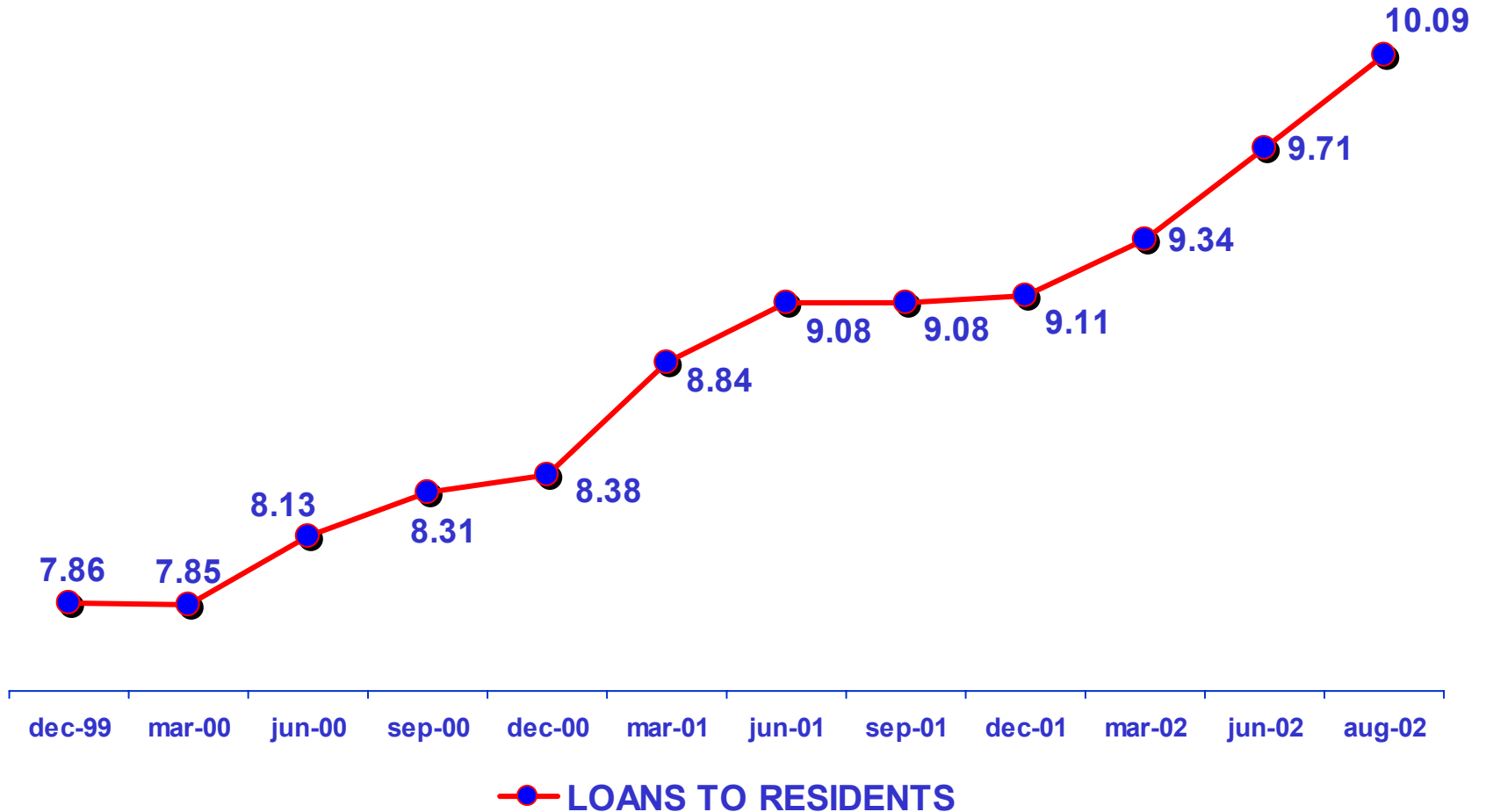
Excluding NPLs, REPOs & Advances to Social Security & BPH

| | | |
|-------------------------------|-------------|-------------|
| Total resident lending | 16.9 | 20.7 |
|-------------------------------|-------------|-------------|

STRATEGY

Optimise short term performance

MARKET SHARE OVER COMMERCIAL BANKS

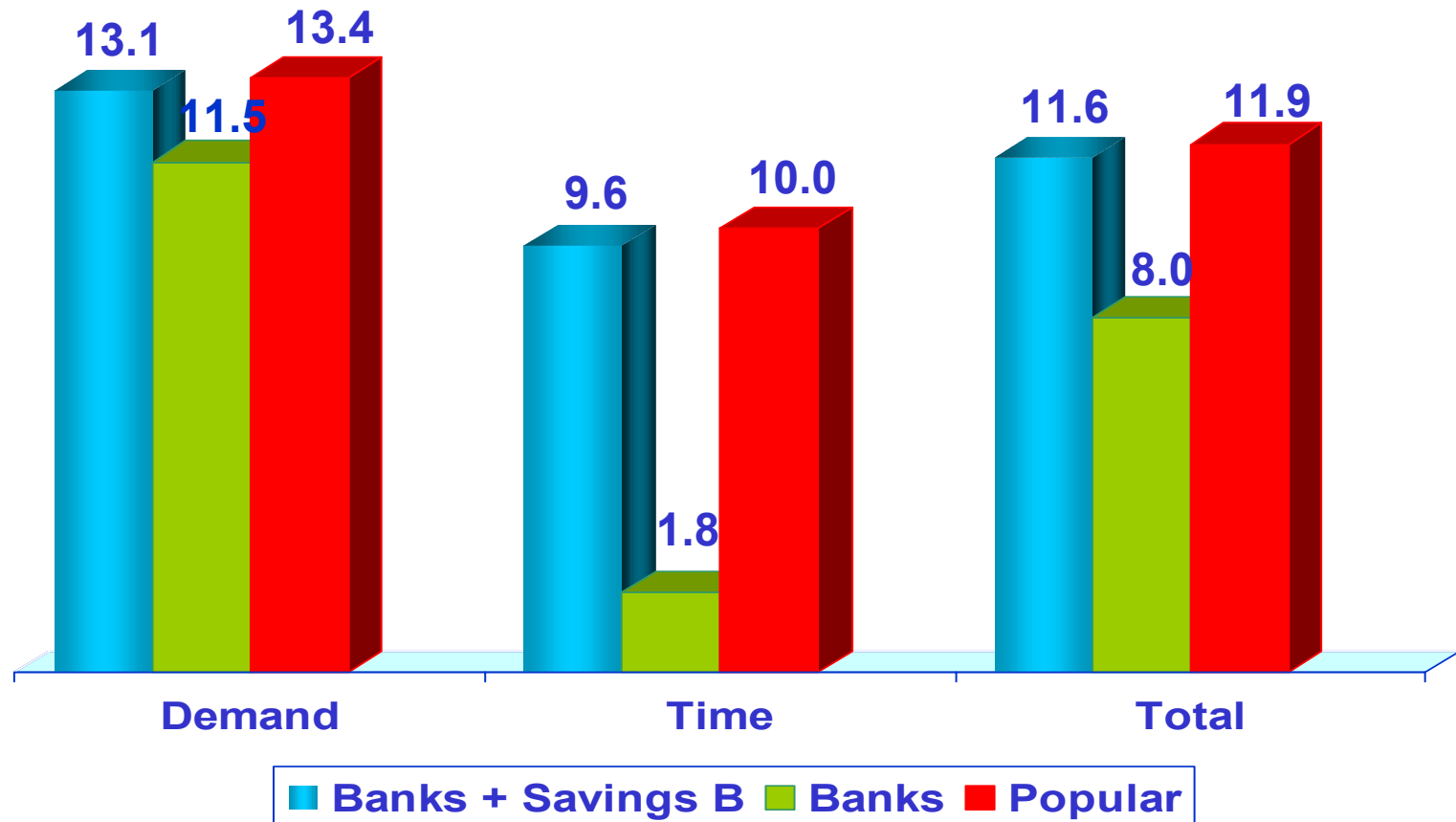


STRATEGY

Optimise short term performance

GROWTH OF DEPOSITS OF PRIVATE-SECTOR RESIDENTS

(August, 31 2002 year-on-year % change)



STRATEGY

Optimise short term performance

CORE RESIDENTS CUSTOMER DEPOSITS

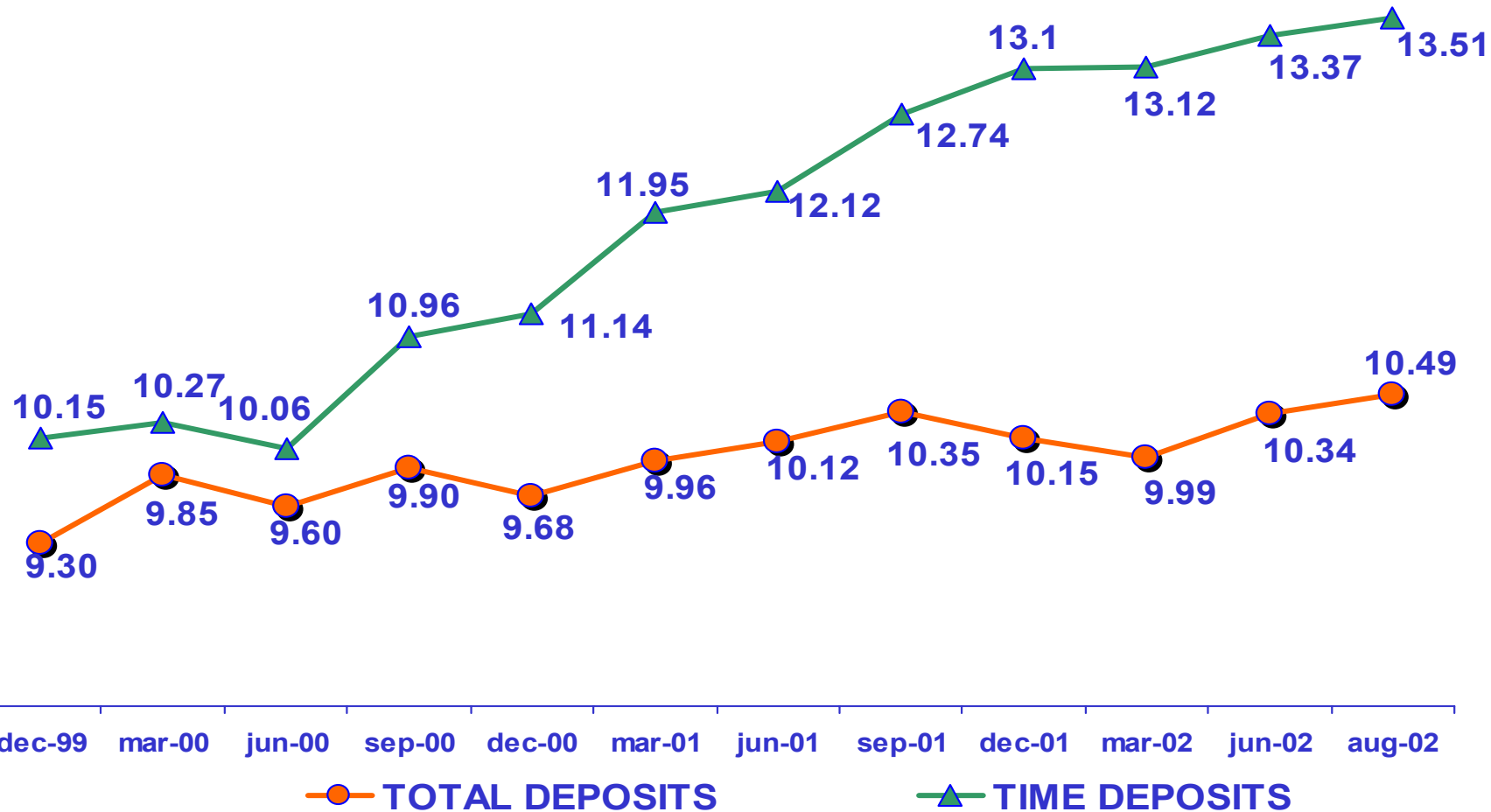
(Accumulated % change)

| | <i>June</i> | <i>September</i> |
|-----------------------------------|-------------|------------------|
| Demand deposits | 9.1 | 8.6 |
| Time deposits | 12.4 | 9.5 |
| Customers commercial paper | 52.8 | 135.8 |
| TOTAL | 12.6 | 14.9 |

STRATEGY

Optimise short term performance

MARKET SHARE OVER COMMERCIAL BANKS



STRATEGY

Optimise short term performance

MAJOR PRODUCTS MARKET SHARE

(Accumulated % change)

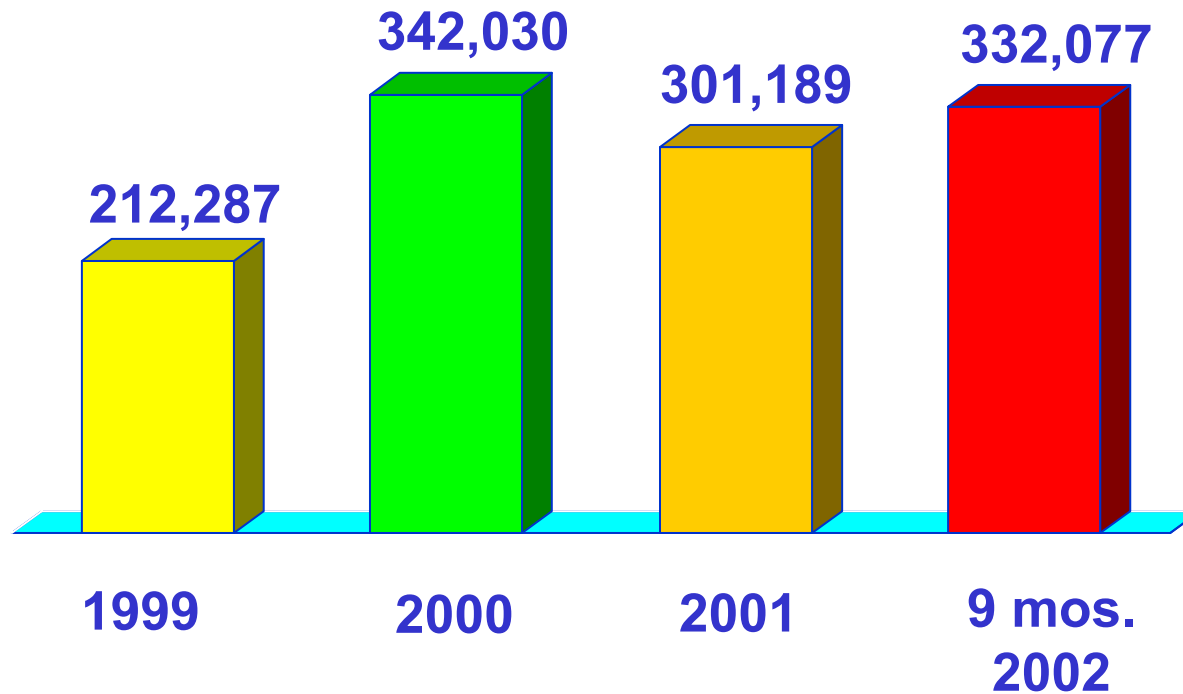
| | Growth rate September-02 | | Market share June-02 |
|--------------------------------|-----------------------------|---------------|----------------------------|
| | As reported | Like for like | |
| Bill discounting | (12.2) | (12.2) | 10.8 |
| Mortgage loans | 42.6 | 35.3 | 4.4 |
| Personal loans & overdrafts | 9.3 | 9.1 | 4.1 |
| Leasing | 11.4 | 9.2 | 8.7 |
| Factoring | 32.7 | 32.7 | 6.9 |
| Pension funds* | 27.7 | 27.7 | 7.2 |
| Mutual funds | 6.5 | 0.3 | 3.2 |

* Assets in private/individual accounts

STRATEGY

Optimise short term performance

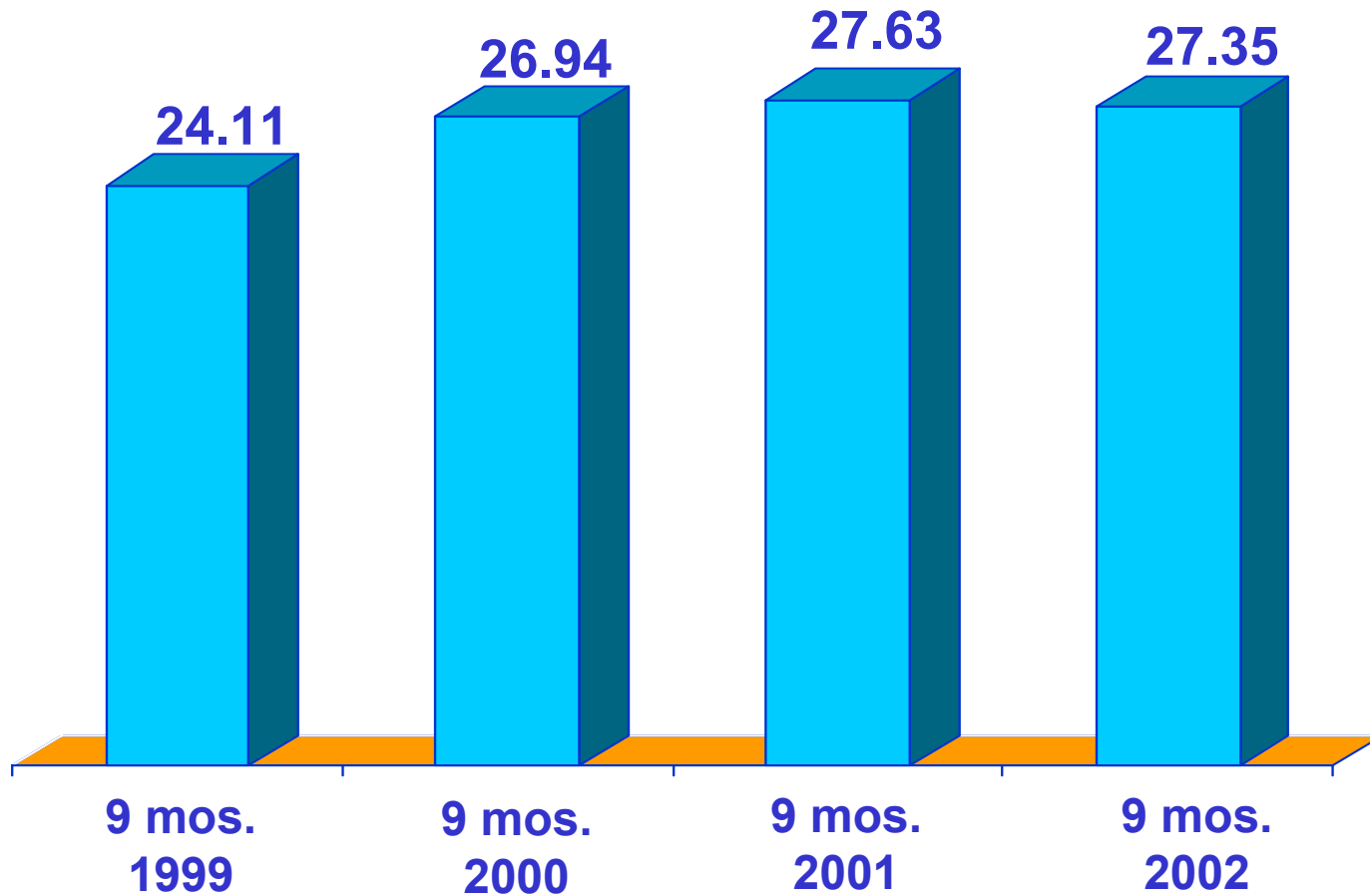
NET NEW CLIENTS



STRATEGY

Optimise short term performance

ROE (%)



STRATEGY

Optimise short term performance

(Accumulated % change)

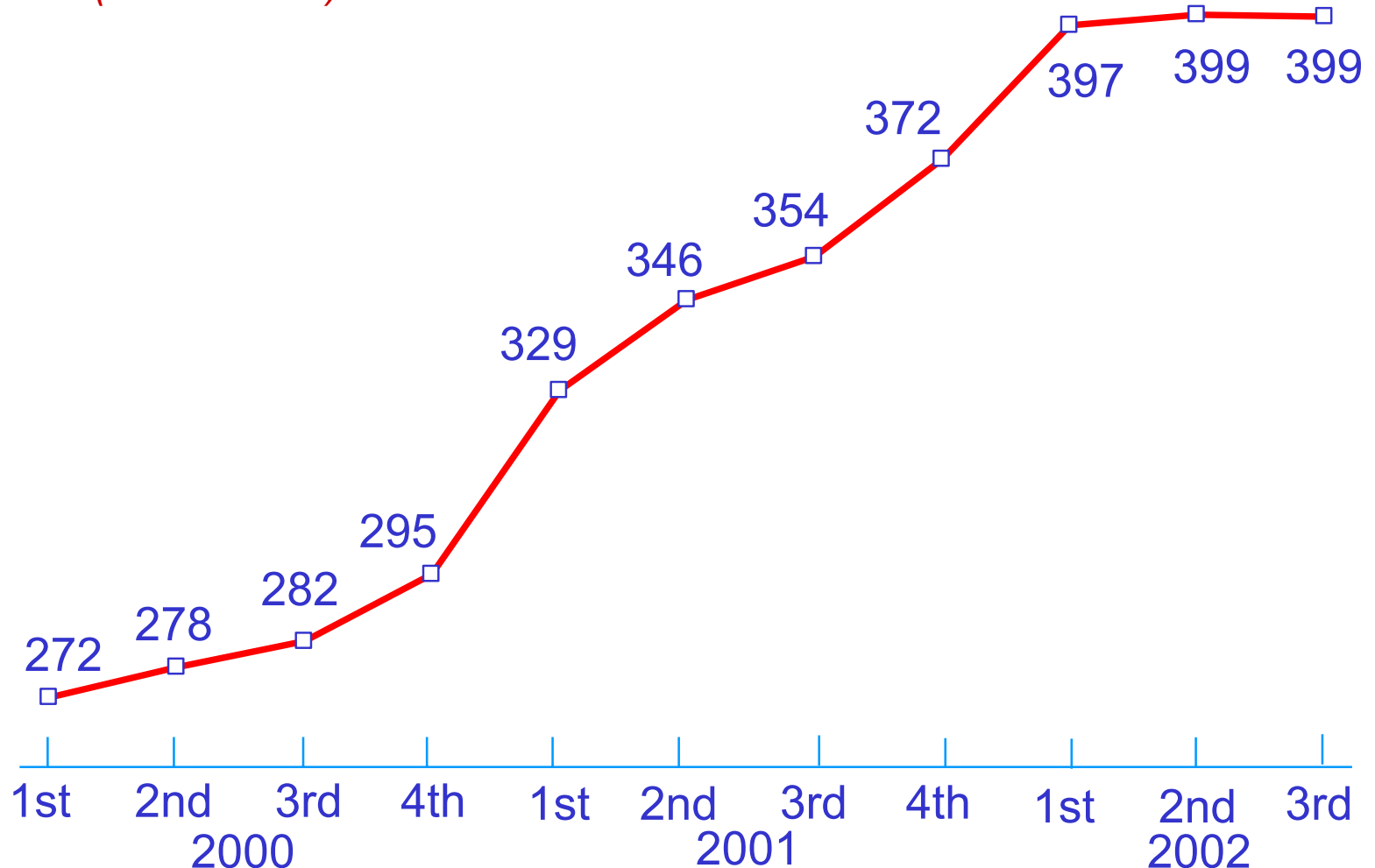
| | 2001 | | | | 2002 |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|
| | 1st. quarter | 1st. half | 9 mos. | Year | 9 mos. |
| Net interest revenue | 21.1 | 22.9 | 23.7 | 24.4 | 16.1 |
| Fees for services | 14.4 | 10.8 | 6.1 | 5.6 | 0.7 |
| Ordinary revenue | 19.0 | 19.1 | 17.0 | 18.0 | 10.6 |
| Operating costs | 13.9 | 13.4 | 12.7 | 12.2 | 4.9 |
| Operating income | 24.5 | 25.0 | 21.6 | 23.8 | 15.9 |
| Income before taxes | 6.3 | 7.0 | 7.1 | 5.2 | 22.7 |
| Net income attributable | 15.1 | 15.6 | 16.1 | 15.2 | 11.6 |

STRATEGY

Optimise short term performance

NET INTEREST REVENUE (Quarter standalone)

(Euro million)

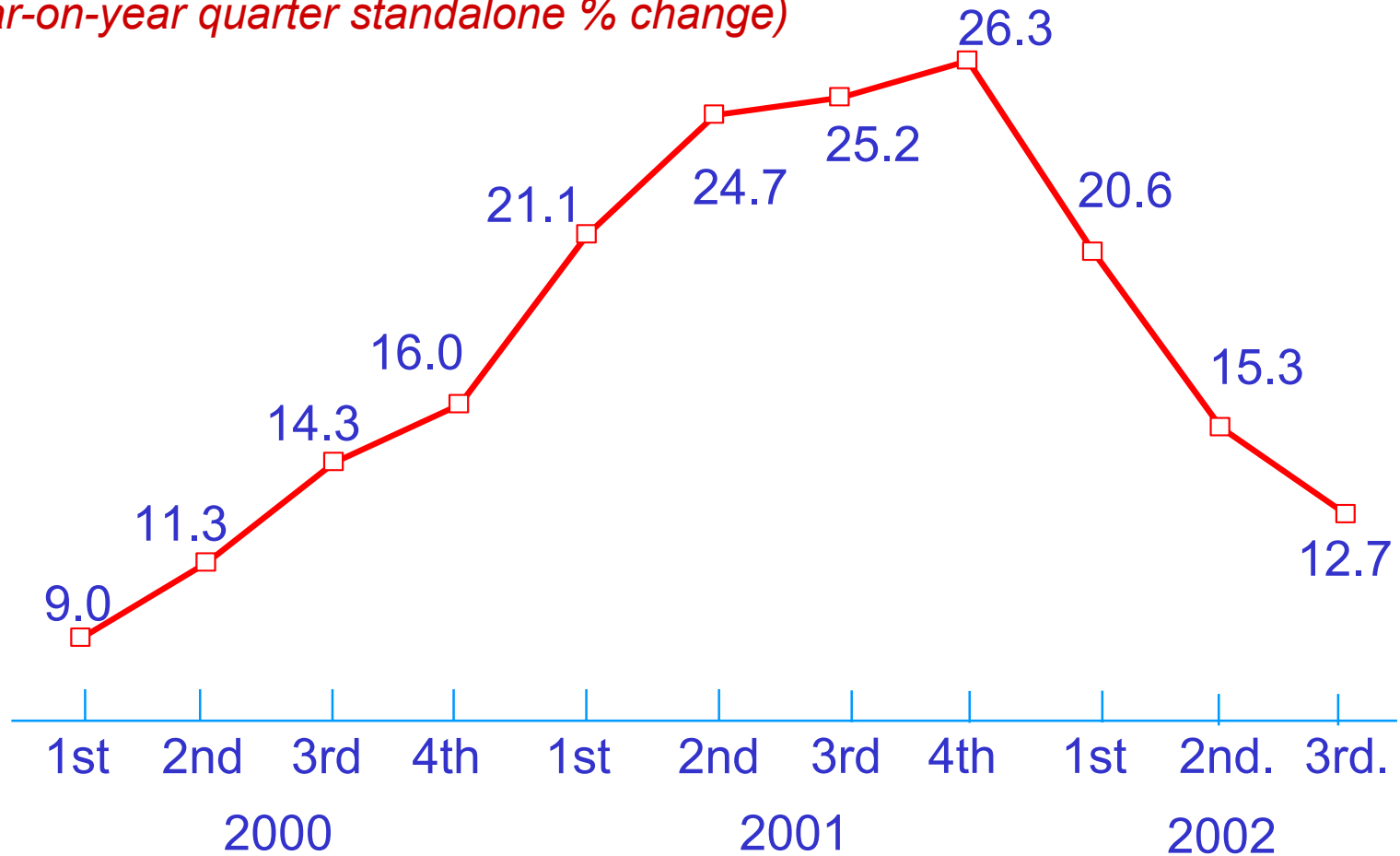


STRATEGY

Optimise short term performance

NET INTEREST REVENUE

(Year-on-year quarter standalone % change)

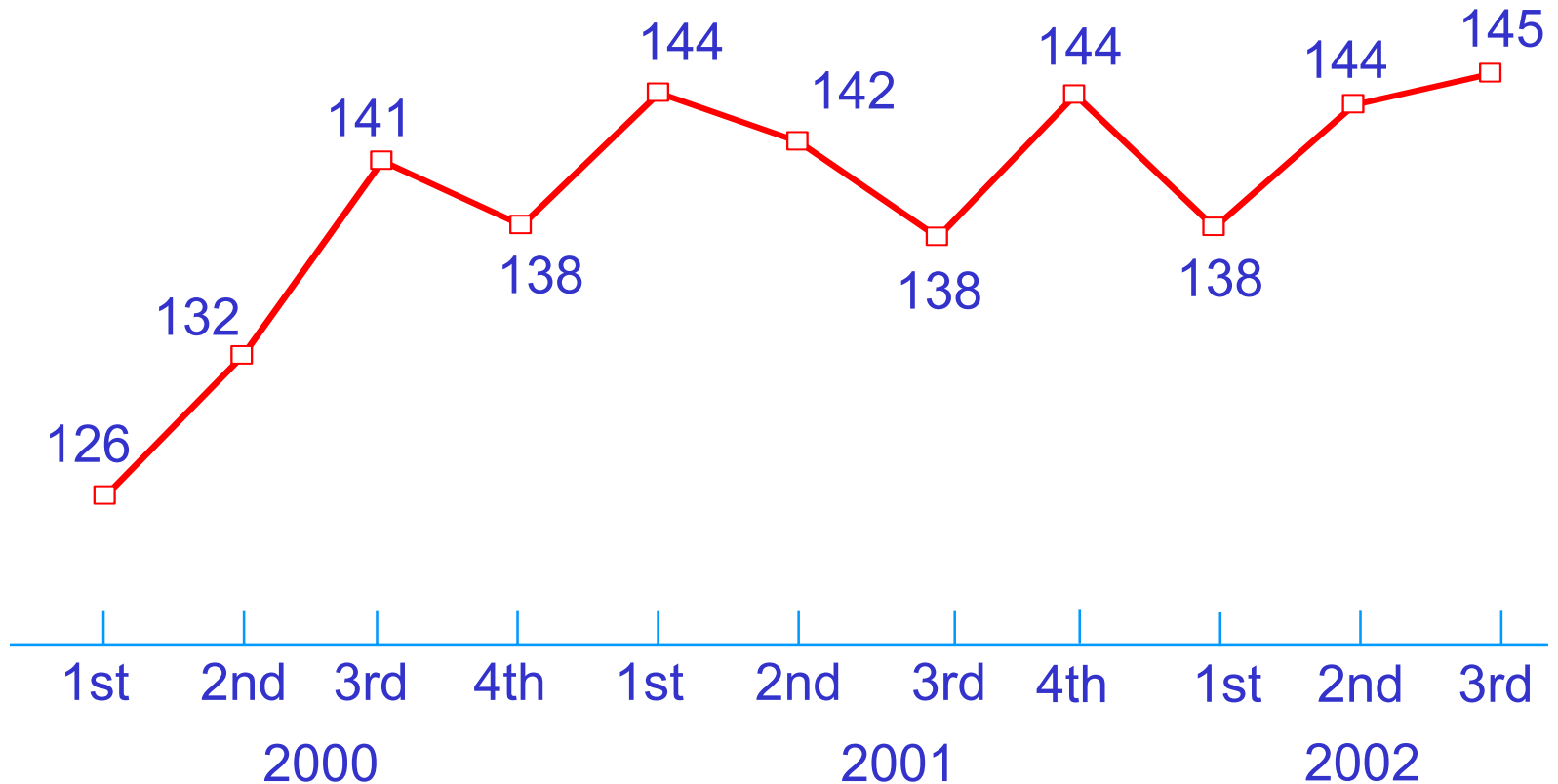


STRATEGY

Optimise short term performance

FEEES FOR SERVICES (Quarter standalone)

(Euro million)



STRATEGY

Optimise short term performance

FEES FOR SERVICES

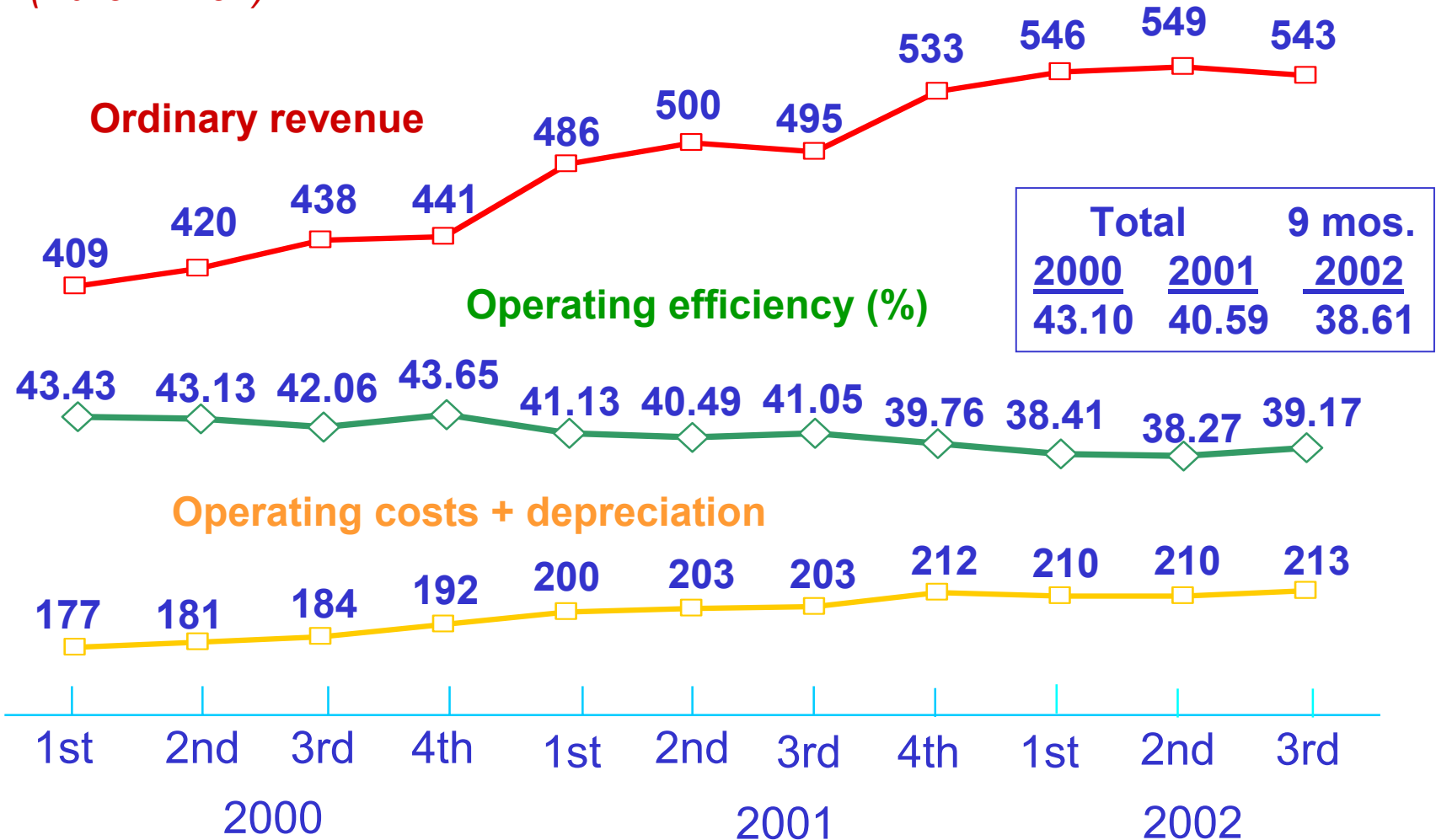
| | Year-on-year % change | | | As % of total fees |
|-------------------------------|-----------------------|----------------|-----------------|--------------------|
| | <i>March 31</i> | <i>June 30</i> | <i>Sept. 30</i> | |
| Loan-related fees | (3.4) | (3.0) | (1.5) | 12.9 |
| Fees from guarantees | 12.5 | 16.2 | 16.3 | 9.7 |
| Collection & card-related | 6.8 | 7.5 | 7.3 | 42.2 |
| Customer financial asset mgt. | (2.7) | (3.9) | (3.9) | 24.0 |
| Mutual funds | (5.8) | (8.3) | (7.7) | 15.5 |
| Other AM | 3.7 | 5.2 | 3.9 | 8.5 |
| Account mgt. Fees | 15.6 | 15.2 | 14.2 | 7.8 |
| Other (inc. Inv. Banking) | (71.4) | (61.8) | (45.8) | 3.4 |
| TOTAL | (3.9) | (1.4) | 0.7 | 100 |

STRATEGY

Optimise short term performance

COST/INCOME RATIO

(Euro million)

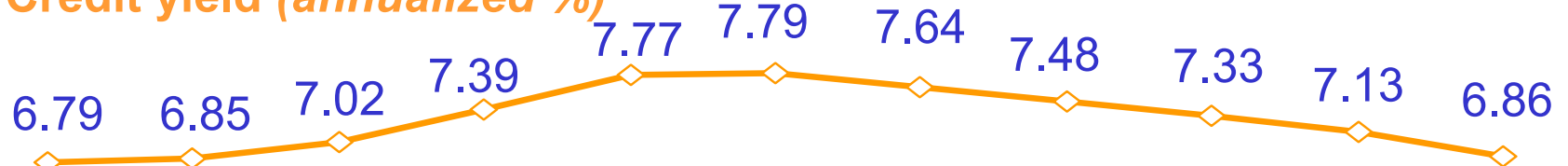


STRATEGY

Optimise short term performance

QUARTERLY CUSTOMER SPREAD

Credit yield (annualized %)



Customer spread (points)



Cost of funds (annualized %)



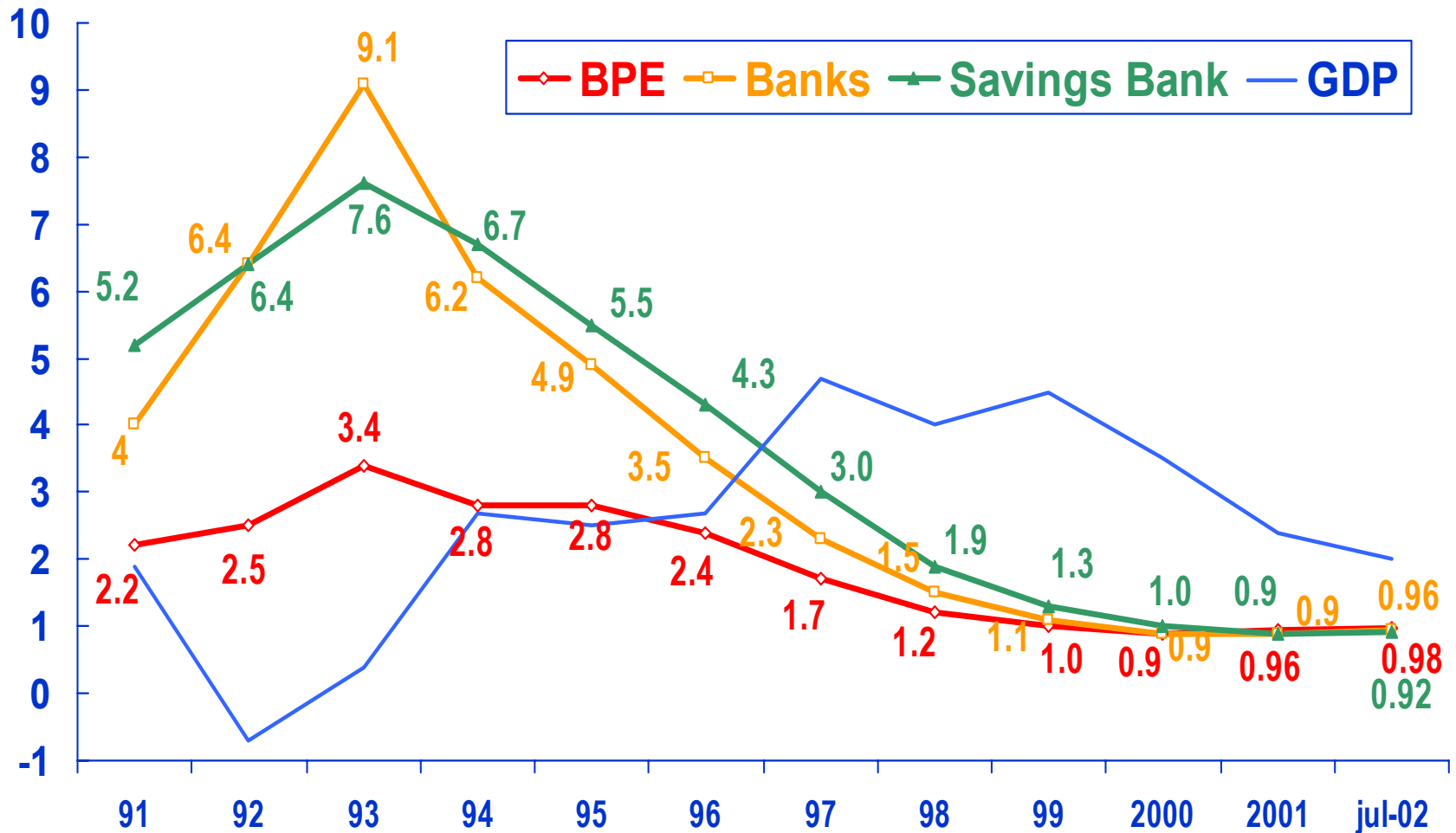
1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd
2000 2001 2002

STRATEGY

Optimise short term performance

LOAN PORTFOLIO QUALITY

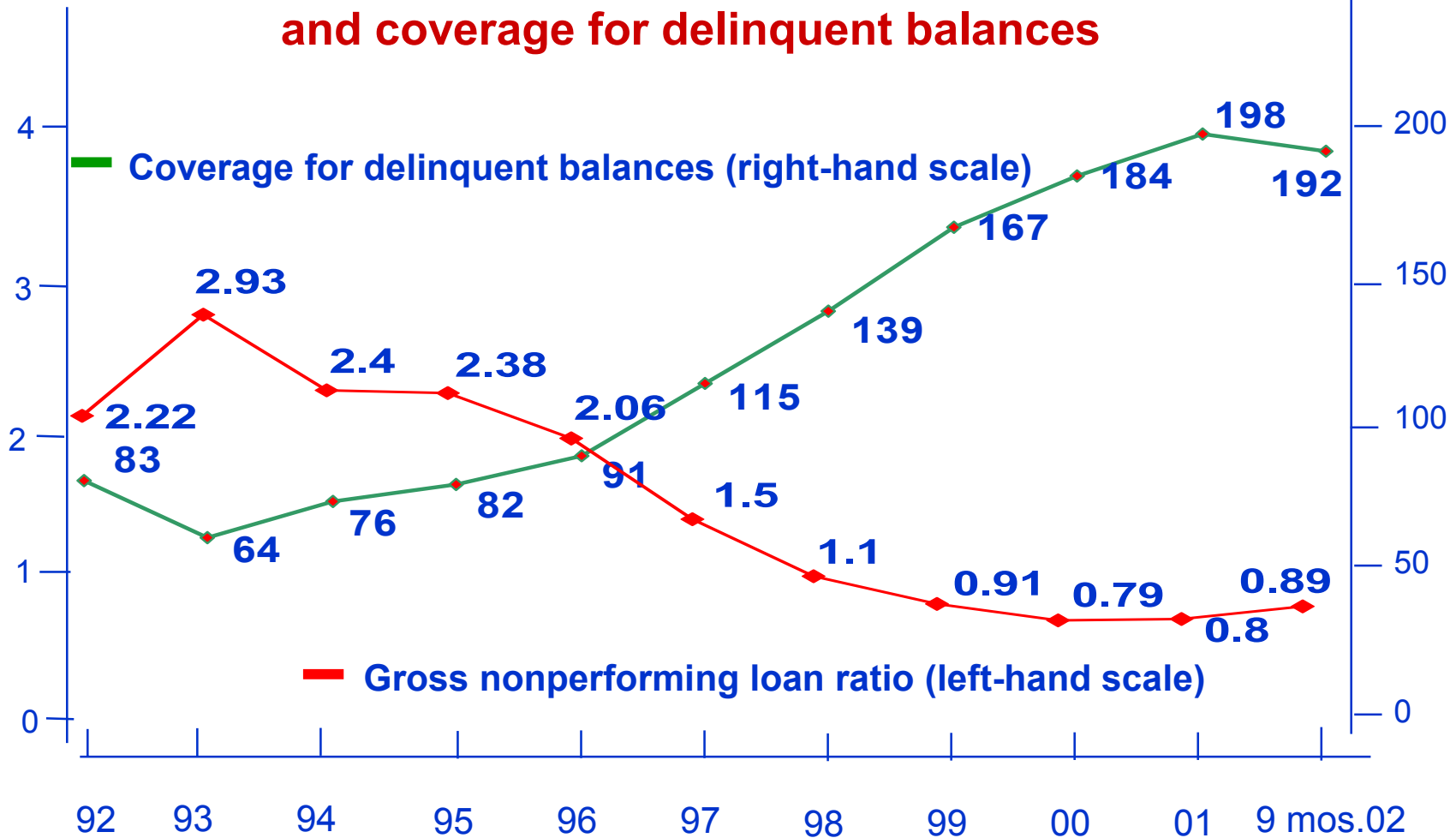
Nonperforming loans / Credit to private-sector resident borrowers (%)



STRATEGY

Optimise short term performance

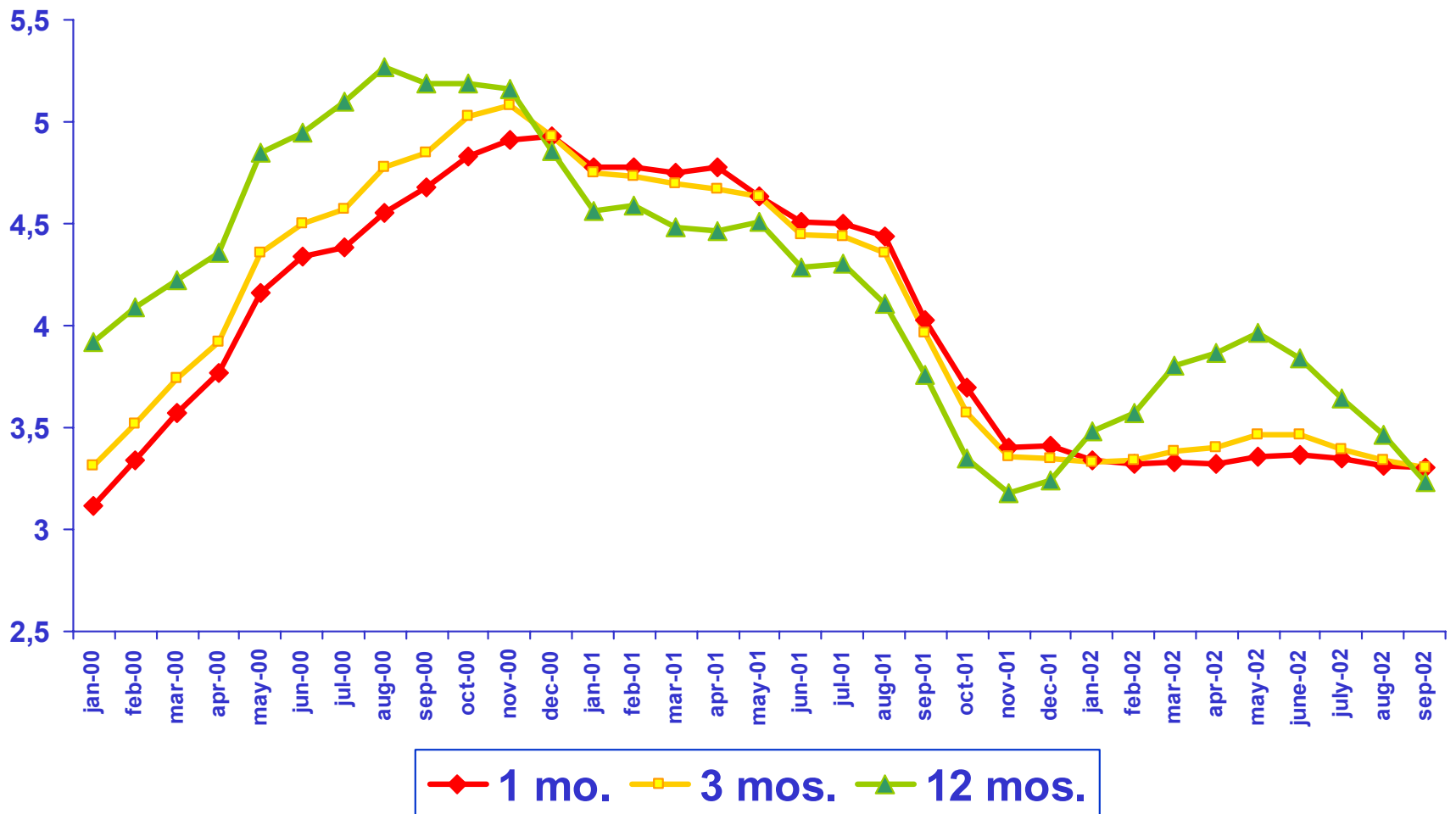
Variation in the non performing loans ratio and coverage for delinquent balances



STRATEGY

Optimise short term performance

AVE. RATE TRANSACTED

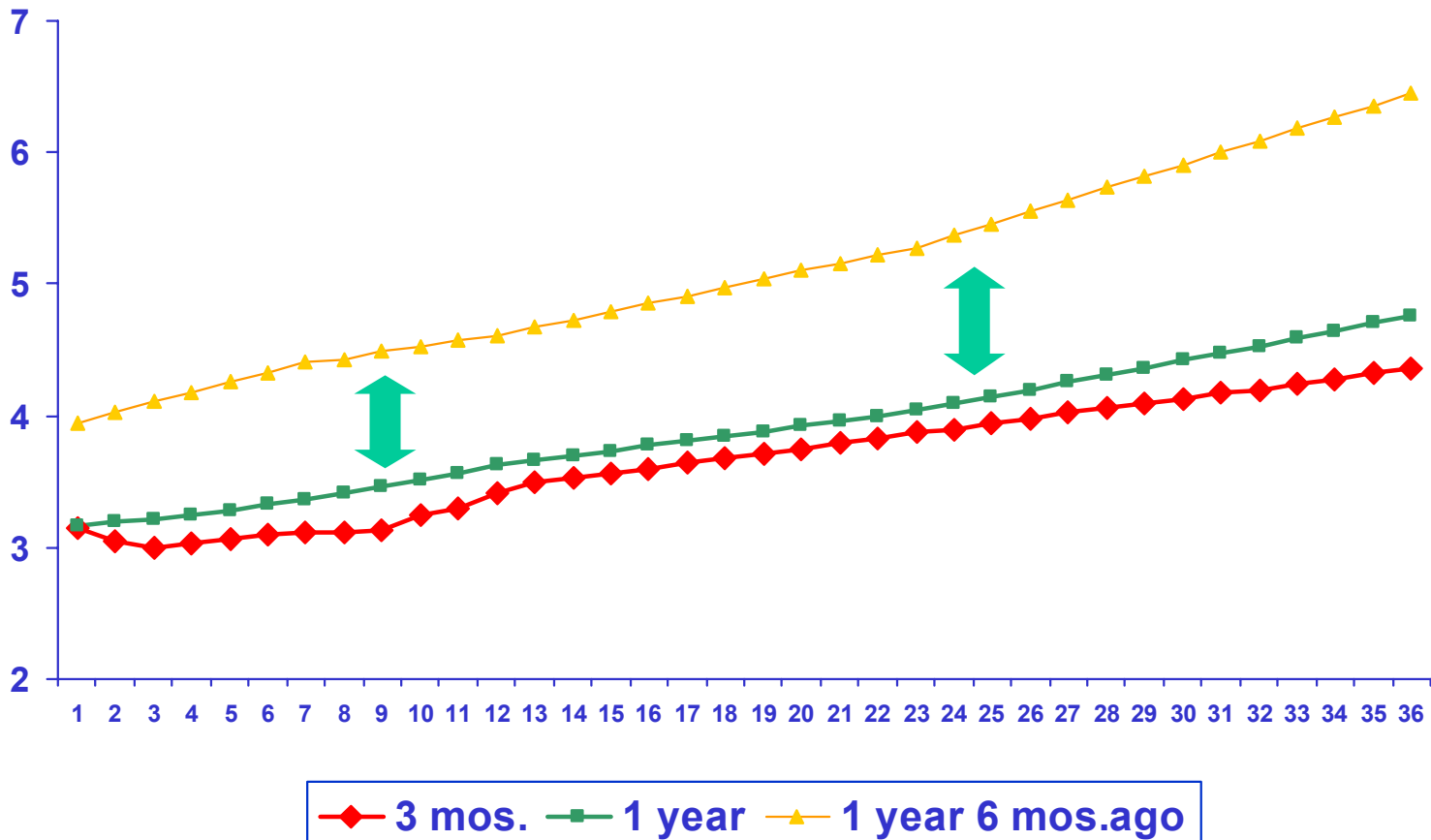


Banco Popular

STRATEGY

Optimise short term performance

CURVES OF IMPLICIT INTEREST RATES



STRATEGY

Optimise short term performance

IMPACT OF RATES DECREASES

| | Average repricing period | Theoretical impact (*) | Real change |
|------------------|--------------------------|------------------------|-------------|
| Bill discounting | 2 mos. | -0.85 | -0.65 |
| Mortgage loans | 1 year | -0.99 | -0.79 |
| Personal loans | 7 mos. | -0.85 | -0.66 |
| Overdrafts | 3 mos. | -0.91 | -0.52 |
| Leasing | 1 year | -0.99 | -0.63 |

(*) Based on model:

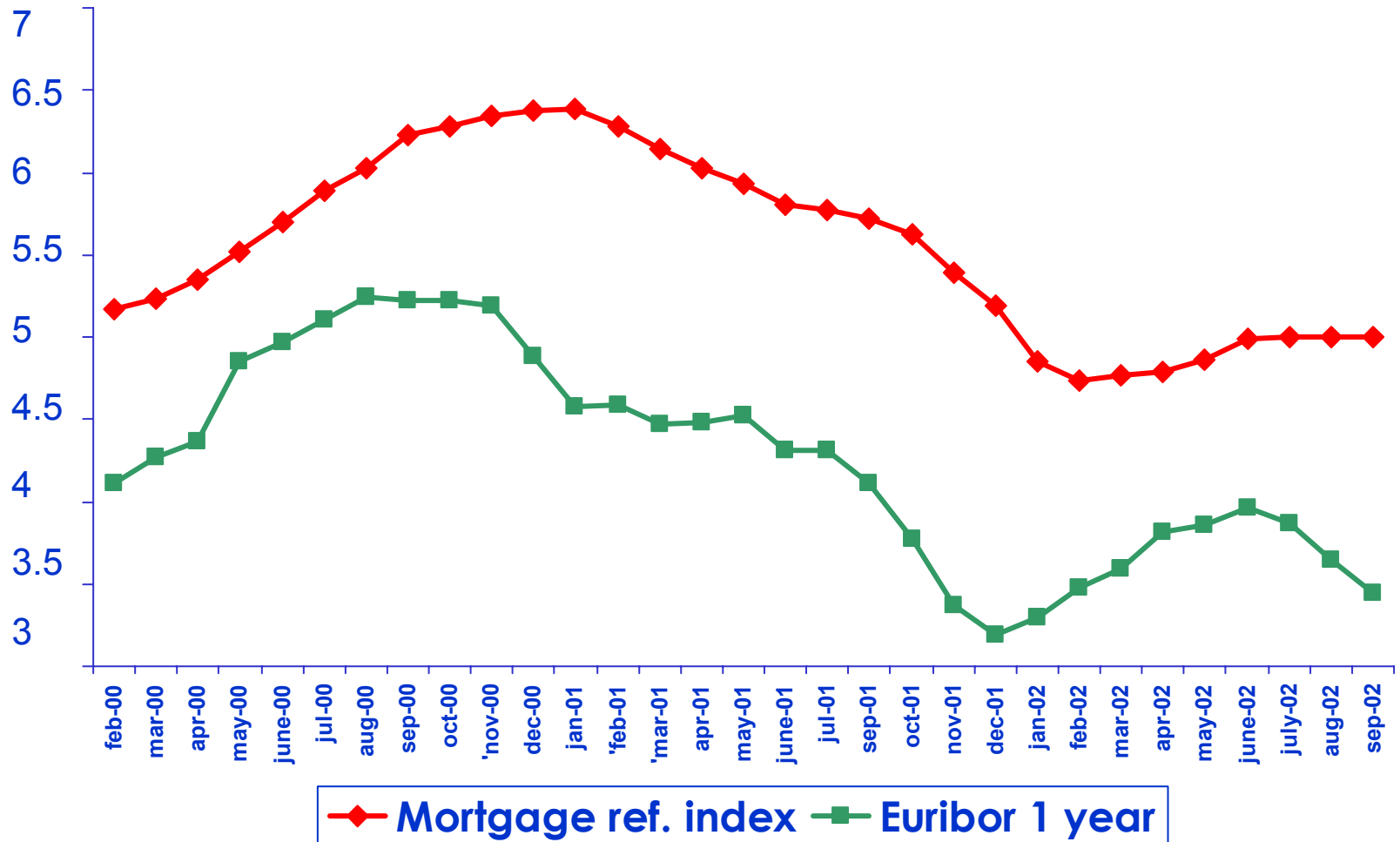
$$\left(\sum_{i=1}^N i_n / N \text{ (year 2001)} \right) - \left(\sum_{i=1}^N i_n / N \text{ (year 2002)} \right)$$

N = repricing period

STRATEGY

Optimise short term performance

MORTGAGE REFERENCE INDEX



STRATEGY

Optimise short term performance

(September 30, 2002)

Duration

Holding Period 365

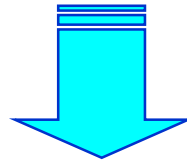
| | Amount MM Euros | Interest Rate % | NPV MM Euros | Duration Days | NPV MM Euros | Duration Days |
|-----------------------------|--------------------|--------------------|-----------------|------------------|-----------------|------------------|
| SENSITIVE ASSETS | 34,456.2 | 5.43 | 34,926.3 | 196,98 | 33,771.0 | 132.75 |
| MONETARY MARKET | 5,663.7 | 3.46 | 5,686.5 | 52.11 | 5,681.3 | 50.84 |
| LOANS | 28,255.2 | 5.84 | 28,719.9 | 170.41 | 28,012.9 | 149.02 |
| SECURITIES | 537.3 | 4.63 | 519.9 | 3,249.18 | 76.8 | 258.92 |
| SENSITIVE LIABILITES | 25,444.8 | 3.10 | 25,530.2 | 98.46 | 25,046.0 | 83.53 |
| MONETARY MARKET | 9,926.9 | 3.41 | 9,949.1 | 68.94 | 9,839.9 | 59.57 |
| CUSTOMER DEPOSITS | 12,898.7 | 2.80 | 12,953.2 | 130.43 | 12,582.7 | 108.85 |
| SECURITIES | 2,619.2 | 3.44 | 2,627.9 | 52.65 | 2,623.4 | 51.97 |
| EQUITY | 2,689.9 | | 9,396.2 | 464.67 | | |

STRATEGY

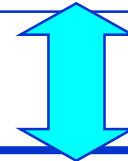
Optimise short term performance

SENSITIVITY TO INTEREST RATES

For an 100 bpts. Interest Rates Move



Total Revenue Sensitivity* \pm Euros 21.7 million



\pm 1.0 % Total Revenues

$$* (PV_a * (1 - DUR_a)) - (PV_i * (1 - DUR_i))$$

STRATEGY

Optimise short term performance

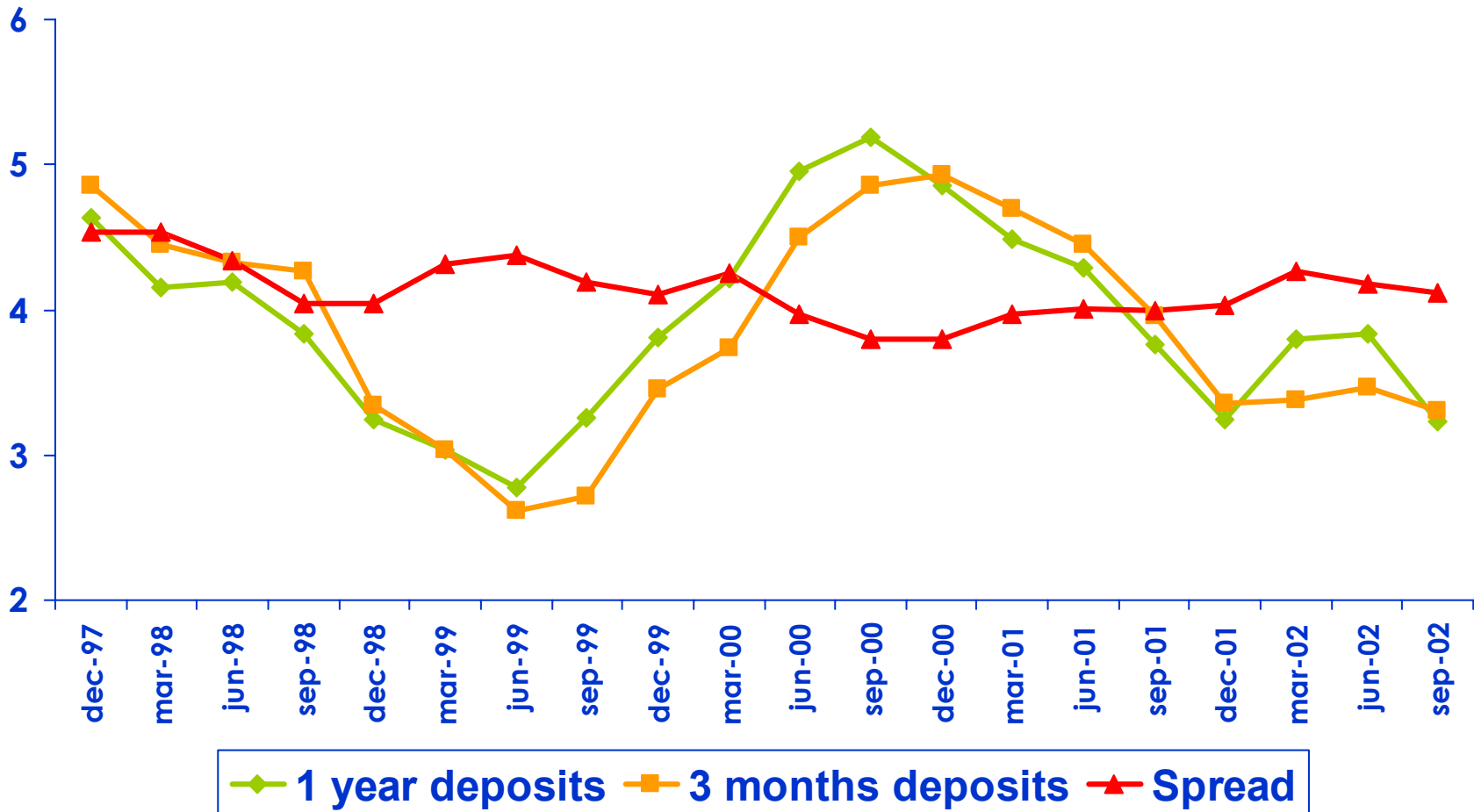
EFFECT ON YIELDS AND COSTS

| From Base To | Mar 01/ Jun 01 | Jun 01/ Sep 01 | Sep 01/ Dec 01 | Dec 01/ Mar 02 | Mar 02/ Jun 02 | Jun 02/ Sep 02 |
|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Bill discounting | -0.20 | -0.04 | -0.17 | -0.23 | -0.18 | -0.07 |
| Mortgages | 0.13 | -- | -0.17 | -0.25 | -0.21 | -0.16 |
| Consumer | 0.01 | -0.22 | -0.32 | -0.15 | -0.06 | -0.13 |
| Overdrafts | -0.02 | -0.09 | -0.12 | -0.21 | -0.07 | -0.12 |
| Leasing | 0.06 | -0.04 | -0.17 | -0.22 | -0.12 | -0.12 |
| TOTAL | 0.01 | -0.07 | -0.20 | -0.22 | -0.16 | -0.15 |
| Demand Deposits | -0.08 | 0.05 | -0.17 | -- | 0.05 | -- |
| Time Deposits | -- | -0.15 | -0.38 | -0.18 | 0.02 | 0.04 |
| Commercial Paper | -0.24 | -0.41 | -0.56 | -0.17 | 0.10 | 0.03 |
| TOTAL | -0.06 | -0.03 | -0.29 | -0.05 | 0.03 | 0.04 |
| Differential | +0.07 | -0.04 | +0.09 | -0.17 | -0.19 | -0.19 |

STRATEGY

Optimise short term performance

POPULAR'S SPREAD VS. RATES



STRATEGY

Build up medium term momentum

- ➔ **Expansion of channels**
- ➔ **Cards business**
- ➔ **Personal & private banking**
- ➔ **Portugal**

STRATEGY

Build up medium term momentum

EXPANSION OF CHANNELS

- ✦ **New branches in 2002: 27**
- ✦ **New ATMs in 2002: 301**
- ✦ **Increase in agents: 497**
- ✦ **In-house e-bank: +204,236 clients**

STRATEGY

Build up medium term momentum

CARDS BUSINESS

PLACEMENT GROWTH

(September 30, 2002)

| | Number | | Turnover | | Mkt. share % | | In use % | |
|-------------------|------------------|-------------|------------------|-------------|--------------|-----------|-------------|-------------|
| | Number | y-o-y % | € thou. | y-o-y % | 2002 | 2001 | 2002 | 2001 |
| Credit | 1,006,030 | 18.9 | 1,721,273 | 13.9 | 15.5 | 16.0 | 57.1 | 63.0 |
| Debit | 1,332,774 | 21.3 | 1,700,009 | 11.5 | 20.0 | 15.2 | 55.6 | 60.4 |
| Other Affinity | 912,856 | 32.7 | 142,315 | 25.7 | -- | -- | 21.0 | -- |
| Petrol | 1,194,991 | (6.1) | 196,285 | 11.9 | -- | -- | 30.0 | 18.7 |
| TOTAL | 4,446,651 | 13.8 | 3,759,882 | 13.1 | -- | -- | 35.5 | 30.4 |

STRATEGY

Build up medium term momentum

CARDS BUSINESS RETAILER ACQUISITION

(September 30, 2002)

| | Number | | Turnover | | Mkt. share % | | In use % | |
|-----------|---------|---------|-----------|---------|--------------|------|----------|------|
| | Number | y-o-y % | € thou. | y-o-y % | 2002 | 2001 | 2002 | 2001 |
| Retailers | 120,090 | 29.7 | 3,353,626 | 24.8 | 39.2 | 33.2 | 41.4 | 49.2 |

STRATEGY

Build up medium term momentum

CARDS BUSINESS

NEW REVOLVING CARD "HOP"

■ LAUNCHED 8 MONTHS AGO

Initial target 2002: 50,000 cards

■ CURRENT VOLUMES:

Number of cards: 106,097

Total credit limits: 349 million euros

Total lending: 93 million euros

Target lending o/outstanding: 40%

STRATEGY

Build up medium term momentum

PRIVATE BANKING

Current market share: 2%

Double market share by 2005

STRATEGY

Build up medium term momentum

PORTUGAL

Current network: *13 branches*

Network target: *above 120 branches*

**Time framework up to target through
organic growth: *10 years***

Speed up expansion: *through acquisitions*

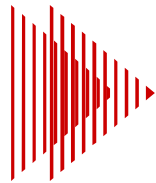
Annex: **BANKING MODEL**

- Retail banking**
- Based on Spain**
- Customer oriented**
- Focused on SMEs & affinity groups**
- Multi-channel**
- Multi-brand**

Annex: BANKING MODEL

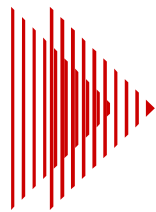
Retail banking:

Deliver all kind of products to:



**Cater for customer's needs
Deter incumbents**

Focus on growth with profitability:



**Optimise cost/income ratio
No speculation
High credit quality standards**

Annex: BANKING MODEL

Based on Spain:

Higher return than in Europe

Averse to Latam risk

Better to be focused than dispersed

Follow customers to:

France → no further expansion

Portugal → up to 120 branches

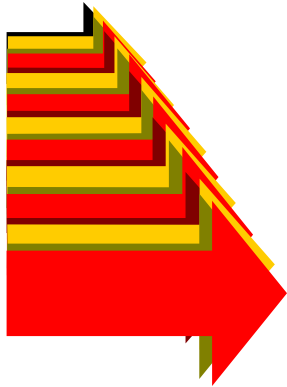
Annex: BANKING MODEL

Customer oriented:

- ✓ **Financial advisors to customers:
Closeness to the customer
Quality of service**
- ✓ **Customer segmentation**
- ✓ **Cross-selling**

Annex: BANKING MODEL

Focused on SMEs & Affinity Groups:



Faster growth

**Higher demand of loans and
means of payment**

Higher nr. products/client

Wider spreads

Annex: BANKING MODEL

Multichannel:

Nr. Financial agents: 2,613

Nr. Branches: 2,171

**In-house e-bank & call center: 8.75%
all transactions group**

Stand-alone e-bank: 69,489 clients

Annex: BANKING MODEL

Multibrand:

- One national retail bank plus
- 5 regional retail banks
- 1 mortgage lending bank
- 1 mass-affluent private bank
- Branch expansion to operate with 2 retail brands per region
- Common IT multibank platform

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